



THE REAL PEPSI THE REAL STORY - RAJENDAR DARA

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No Business Venture has been embroiled in as much controversy or caused as much commotion as the Pepsi project has :

“I see that the company in collusion with the government is cheating the people of Punjab”

Harvender Singh Hanspal, MP

“This explains and illustrates the magnitude of the deception and fraud the company is playing on the country”

Jaipal Reddy, MP

“The question is, in view of the break of violations by this particular firm, is the Government going to give them the marching orders or not”

Yashwant Sinha, MP. (Former Finance Minister)

“This particular multinational is an undesirable company... who played havoc in Latin America particularly in Chile”

Dipen Ghosh, MP

“All this talk of green revolution, horticulture revolution, healing touch to Punjab are just hogwash. What was the real intention of Pepsico? To sell soft drinks, to sell potato chips”

Sudarshan Ray Chaudhary, MP

“You have found the sense of the House that you take drastic action, to see that they fulfil it or they quit”

S.D.Sharma, (Chairman, Rajya Sabha)

“What is more reprehensible is an attempt to link Pepsi Cola with the Punjab problem”

Chandra Shekhar, (Former Prime Minister)

Now read the inside story and the whole truth Behind the lie that is Pepsi. A fascinating saga of intrigue and deception and the Business-Politics nexus, that is part of the tragedy that is India.

Rajendar Dara narrates – from a ringside view— the incredible story of the Cola giant’s frauds.



पुस्तक के बारे में

भाई राजीव दीक्षित को यह पुस्तक 1993 में एक साइकिल रैली के दौरान एक कबाड़ी की दूकान में मिली जहाँ लगभग इसकी पुस्तक की सारी प्रतियां पड़ी हुई थी

राजीव भाई ने उस पुस्तक को पढ़ा तो इसमें जो रहस्य उजागर हुए उस से यह लगा की शायद पेप्सी कंपनी ने इस पुस्तक को कबाड़ी की दूकान में पहुंचाया

इसी निश्चय के साथ उन्होंने इस पुस्तक को पुनः छपवाने का निश्चय किया

इस पुस्तक के लेखक श्री राजेंद्र दारा उस टीम में शामिल थे जिस टीम ने पेप्सी को सभी हथकंडे प्रयोग कर दोबारा भारत में प्रवेश करवाया

सारा भ्रष्टाचार और अपने देश के साथ धोखा होता देख उन्होंने पूरा कच्चा चिट्ठा इस पुस्तक में लिखा

की कैसे रमेश वांगल नाम के एक व्यक्ति ने भारत के एक सांसद के साथ मिलकर पेप्सी कंपनी को झूठ की नींव पर इस देश में दोबारा प्रवेश करवा कर देश को और उसके भविष्य को बर्बाद करने का षड्यंत्र रचा

लेखक का आज तक कोई पता नहीं लग पाया है जो इस बात का सूचक है की इस पुस्तक में जो विस्फोटक सामग्री है उसपर अगर छानबीन की जाये तो पेप्सी कंपनी को और उसकी छवि को बहुत हानि पहुंच सकती है





CHAPTER 1

THE DREAM MERCHANTS

This work is concerned with the REAL story behind the American MNC Pepsi entry into India. And to fathom the working of this Multinational one has to know the history of the company. And here one has to further delve into the story of that other soft drink giant—the Coca cola Corporation to understand how one affects the other especially in the Indian context. For as the adage goes, if Coke comes can Pepsi be far behind ;or vice – versa!

The Beginning

The 1860 and 1870s in post civil War America, particularly in the wounded Southern States were characterised by a general depression. Describing the war fallout effect an Atlanta newspaper wrote “Melancholia, hysteria, guilt, headache, drunkenness, heart palpitations and even impotence are rampant”. A situation like this was perfect breeding ground for quacks with ready remedies. Thus in 1885 John Pemberton, an Atlanta pharmacist, registered a “French Wine cola – Ideal Nerve and Tonic Stimulant”, a concoction he had developed in a three legged cauldron which he stirred with an oar. The stimulant contained cocaine, a dash of wine and other ingredients. 1886 saw Pemberton substituting the wine with caffeine and adding a Kola nut extract for flavour. The name was than changed to Coca cola with the two Cs in Spenserian script as it was felt that this was visually more appealing. Pemberton however was no businessman and he sold the Coke formula (today called Merchandise 7x and guarded in a vault) for a mere \$2300 to a Georgia businessman Asa Candler in 1889. it was Candler who developed the mass markets. He sold syrup to wholesalers who sold it to drugstores where it was mixed with carbonated water and purveyed ay Soda fountains. The same year saw Benjamin F Thomas and Joseph P Whitehead of Tennessee meeting Candler with a business proposition to bottle Coca-Cola. Candler did not see much potential and sold bottling rights for a mere dollar. Thomas and Whitehead subcontracted bottling rights to regional bottlers and thus being the franchise bottling system which is the mainstay of the soft drink industry world-wide even today. By now Candler’s Coca-Cola Company had arrived and he was able to sell it for \$25 million in 1919. the new buyer was Ernest Woodruff, an Atlanta entrepreneur, whose son Robert was to make Coke the legend it is today. When Robert Woodruff took over in 1923, Coca-cola had entered Canada, Cuba and Puerto Rico but was otherwise an unknown brand internationally. This was not in keeping with Woodruff’s vision. Defying his board of directors he test marketed the drink in Europe and finding it successful, opened up foreign sales departments. But the single most important factor that led to coke’s global presence was World War II.



woodruff's dictum of putting a Coke bottle in GI hands wherever they went paid handsome dividends. The US Government picked up the tab for bottling plants set up everywhere as the green bottle was a real morale booster for the homesick GIs.

In the meantime where was the “other guy”? Pepsi's story is a chequered one and every gain was a hard fought one. Pepsi origins were similar to Coke's. Bradham a North Carolina Pharmacist developed Pepsi-cola in 1898 as another panacea. Except this time round it was supposed to cure dyspepsia. In 1902 Bradham registered a trademark and being business seriously. 1905 saw the first bottling plant. From a mere 800 gallons in 1902, Bradham was selling 100,000 gallons in 1907. the first sign of trouble came after World War I with sugar prices sky-rocketing. Bradham collared the sugar market only to find the prices plunging in 1920. By 1923 the company was bankrupt. Roy Megargel, a Wall street broker took over from Bradham but despite the fact that he pumped in his own money the company went bankrupt again, two years after the Wall street crash. This time it was Charles Guth who played knight to Pepsi's distress calls. Guth, president of the Loft Candy Company changed the formula, and stocked Pepsi exclusively in his soda fountain. By 1933 the now familiar felling was back. Guth was forced into the humiliating option of appealing to Coke to them out. But Coke disdained to bid for a company whose prospects were so low; a blunder in retrospect. In sheer desperation Guth introduced a bargain offer —a 12 ounce bottle for 5 cent which was twice the amount for the same price. Finally sales and profits began coming in. however Guth was not fated to run Pepsi long and had to resign following a labour strike. In 1938 Walter Mack took over and began what even today is Pepsi's key strategy —catchy advertising. Immensely popular comic, radio spots and jingles finally brought the comply up front. Than came World War II where Pepsi was not as fortunate as Coke. Sugar rationing hit Pepsi but not Coke who were let off the hook because of Woodruff's patriotic stance. And the post war boom did not accept Pepsi's positioning as a bargain drink favourably. The profit graphs began nose diving and the rot continued until 1949 when AL Steele took over as President. Steele introduced stylish bottles and innovative marketing and repositioned Pepsi as a lower calorie. Fortunes reversed again and by 1959 the company had notched up a 700% profit. Finally Pepsi was in position as a serious competitor to Coke. In 1963 came Donald M Kendall, after which Pepsi never looked back. Kendall introduced the Pepsi challenge, a series of blind taste tests conducted live where consumers overwhelmingly preferred Pepsi sweeter taste to Coke's. Kendall's greatest triumph is recorded in the snapshot which had the then Soviet premier Khrushchev drinking Pepsi at the American National Exhibition in Moscow, which was promptly used as an endorsement. Pepsi singular and hard hitting advertising (discussed later) actually shook coke enough to prompt what has subsequently been billed the most colossal blunder in Business history. This was the introduction of New Coke to match Pepsi sweeter taste. Pepsi shrewdly capitalized on this, focusing attention not on New Coke but on the withdrawal of Old Coke. This provoked a customer backlash that forced the resurrection of Old Coke, now under the brand name Coke Classic. Why was there such an outburst over the change in formula of what is basically — to borrow a phrase from former Apple Computer Supremo Steve Jobs — “flavoured sugar water” understanding this phenomenon is a key factor in knowing what



Coke — and Pepsi in a slightly different way — stand for. As current President and CEO of Pepsi, Roger Enrico puts it, “these are not just mixtures of sugar and flavouring—they are alchemical concoctions”. Or as Kansas newspaper editor William White eulogises “Coca-Cola is the sublimated essence of all that America stands for” what had begun as a symbol for the GIs of World War II had now metamorphosed into a national icon. A Coke sign defined civilization so to speak —“when you do not see a Coca-Cola sign, you have passed the boundaries of civilization”. Coke with its Santa Claus advertising, its patrioteering, was America. In a nation with only a 400 year history, Coke was tradition. Pepsi too cashed in on Americana but in a different way. It was young America, bold and even brash but for all that honest-to-god businessmen. What is common to both is each sells the American dream in a bottle. Thus is American mythology built.

The last three decades have seen the companies or more aptly corporations grow into the top 50 Fortune listings. This is due to various reason. One, the soft drink industry boom – the fevered pitch advertising and marketing of soft drinks in USA has made it the no.1 beverage surpassing even water. Second both Pepsi and Coke have diversified into alternate or related businesses. Coke for example now owns Columbia Pictures and produces film hits like *Ghostbusters*, while Pepsi acquired 7-Up. Taco-Bell, Frito-Lay, Pizza Hut in addition to 16,000 franchised units selling Kentucky Fried Chicken. In fact the soft drink component of PepsiCo’s overall turnover is a mere 38%. Third is their international presence. Coke today is in over 155 countries while Pepsi is in 151. Perhaps no conqueror in world history has covered as much ground as these two MNCs have. Between them they own 90% of the International soft drink market. Both as typical MNCs have a penchant for developing countries selling not just soft drinks which are still luxuries, but projecting life styles the denizens can ill afford. Both are also synonymous with growing US hegemony and global interventionism Pepsi’s presence is not always confined to Business as Chile can bitterly attest, but that is another story told later on

Both MNCs entered India roughly around the same time, but Pepsi despite its bargain offer of yore (10 ounce bottles for 5 annas against the Coke 6 ounce bottle for 4 annas) was forced to close shop in the mid-fifties. Coke had a monopolistic control with hardly any competition to speak of. The sector itself just before Coke and Pepsi entries was highly disorganized with semi-automatic and hand operated plants with an optimum 10 to 20 bottles a minute as compared to the 600 bottle capacity today. These earlier factories catered to the immediate localities only and most often bottled the drink in fuskis or buntas (marble corked bottles). Water treatment, franchising systems, standard tastes formulas and even advertising were yet unheard of. The MNCs entries did revolutionise the procedures but no serious local industry was allowed or for that matter possible. This state of affairs lasted until 1977 when the government underwent a change as did the rules. As per the Foreign Exchange Regulation Act (FERA) MNCs had to limit themselves to 40% equity only. this was unprecedented for Coke as nowhere in the world did it allow any non 100% Coke owned unit to manufacture its concentrate. What was worse was that the top secret Merchandise 7X



guarded in the vaults of the Thrust Company of Georgia (access is limited to three key executives who never travel together and each nominates a successor in the eventuality of death) would have to be disclosed. So Coca cola left India.

The Indian soft drink Industry came into its own only after this. The former Coke Bottler Charanjit Sings launched Campa Cola, Ramesh Chauhan of Parle, Thums Up, with other like Duke's and Spencers following suit. Today a rough market share division would be Parle-65% Pure Drinks -19%, Other -16%. The soft industry had rallied magnificently to provide excellent alternatives. Parle today exports to Africa, the Middle east, Soviet Union and the USA. While nationally the two giants were Parle and Pure Drinks, there were strong regional Industries like Duke's Spencers and lately McDowell's.

But neither Coke nor Pepsi were through yet. They were waiting and watching from the sidelines. As far as they were concerned it was just a battle lost and not the war. Pepsi in particular with its obsession for one up manship was just rearing to recapture a territory that Coke had lost. The waiting game went on and two year after the Orwellian 1984, Pepsi saw its chance.



CHAPTER 2

SINGING THE PROMISED LAND

India has always been to these two soft drink giants a blend of El Dorado and Paradise Lost. Roger Enrico, President CEO of PepsiCo World-Wide Beverages describes India as “that hot and thirsty country of 850 million souls”. India’s potential is indeed vast. The per capita consumption of soft drinks in India is a mere 2.8 bottles a year per person whereas even in countries like Bangladesh it is 26. Pakistan’s annual per capita consumption is 13, Thailand’s 86, while Europe and the USA have figures of 180 and 386 respectively. Pepsi using three figures to confuse, has projected a possible growth of over 400% every year. The world growth rate in the soft drink averages between a steady 6 to 8% every year. (India’s growth in 1990-91 has remained static). While Pepsi’s figures are exaggerated there is no doubt that India is an ideal hunting for an MNC like Pepsi and indeed Pepsi had its antennae up just waiting for the right time.

It was fairly obvious to Pepsi that there was no way they were going to enter India with just soft drinks on the agenda. Though India stand had softened since the 1977 days, it was impossible that any government in an ostensibly socialist nation would clear a non priority and non essential item like soft drinks. This would be tantamount to taking a let-them-eat-cake stance, which, grounded as our politicians are in populist measures, would be political hara-kiri. This much was clear to Pepsi. What was then needed was a repositioning of roles. Soft drinks would have to be relegated to the background and a more publicly acceptable front was required. Thus being the food processing façade. It was felt that if a project was shown as being primarily focused on food processing with a direct bearing on the agrarian economy, it actually stood a chance of clearance. Soft drinks could then be an ‘aside’ and could be worked in as a viability factor supportive of the project as a whole. With this much established Pepsi linked its lot with Duncans India subsidiary (Agro Products Exports India Pvt Ltd) in a joint venture. A formal proposal was duly submitted on April 25, 1985 to the Secretary at the Ministry of Industrial Development. (It must be remembered that at this juncture the Ministry of Food Processing was not yet in existence). The stated objective of the Joint Venture was “to promote the development and export of Indian-made agro based products and to foster the introduction and development of PepsiCo products in India”. In line with these objectives the Joint Venture was to (1) Undertake investments in manufacturing and export ventures in India (2) Export selected products and services to a wide range of international markets (3) Receive related technology from Pepsi-Cola International at no foreign exchange outflow (4) Arrange to import PepsiCo Inc concentrates for sale and distribution to independent bottlers and (5) Undertake to export three times the dollar outflow required to import concentrates for PepsiCo soft drinks.



This was appended by a eulogy on how PepsiCo made the partner with its billion dollar presence global and particular middle east experience and its expertise in all the technology and management involved. The benefits that would accrue to the country were (1) a leveraging of the country's strength in the agricultural sector (2) the creation of new export opportunities and the generation of foreign exchange with the 3:1 export-import ration (3) the boosting of product quality and the 'Made in India' image (4) state-of-the-art technology would be provided in the fields of food processing, packaging development and soft drink manufacturing at no foreign exchange outflow (5) the project would act as a catalyst for spin-off benefits to other related businesses (6) the Project will result in substantial incremental growth in the soft drink industry (7) Industrial expansion would generate a substantial down-the-line service industry requiring locally made equipment and allied industries would be provided opportunities for growth (8) significant employment opportunities would be created in a number of industrial and agricultural sectors with regional entrepreneurial opportunities in agriculture, retailing and distribution and (9) a substantial increase in government revenue due to consumer market expansion.

The proposal concluded by stating how well it fitted with the broad objectives of the economy and how it "specifically supported national priorities in areas such as exports, agriculture, employment and technology". This broadly was the proposal for the Rs20 million joint venture. The proposal went through the customary scrutiny and was forwarded to several key officials under whose jurisdiction the project would fall. One such official was Amitabh Pande, Managing Director, Punjab Agro Industries Corporation. Pepsi and Duncans had sounded him for advice and co-operation. In a letter addressed to NK Prasad, Vice President, Corporate Resources, Duncan Enterprises, Pande writes: "I have examined the application submitted to the Government of India and I find that the claim made in favour of the benefits to the proposed food industry are completely un the totally negligible impact the proposal is likely to have on the food processing and given that it involves virtually no fresh investment of capital and no introduction of new technology, I am afraid you can count me out from lending any support or advocating the Punjab Government's support for the proposal."

This then was the first Pepsi attempt to enter the country. (Pande's views are particularly interesting in the light of what was to follow with Pepsi's second proposal). The proposal needless to say fooled no one, and was rejected on the primary grounds that the import of concentrate could not be agreed to and that the use of foreign brand name as domestic tariff area (DTA) was not allowed.

Pepsi, however, was not one to give in so easily. This is where Ramesh Vangal, (current MD, Pepsi Foods India) made his entrance. Vangal following a London Business degree had built up a reputation for himself as a trouble-shooter after a stint with a firm badly in the red. Pepsi headhunters approached him and soon after he handled Pepsi entry in Egypt. Post the Duncans fiasco, Vangal was roped in tight spot trouble-shooting and (b) that was an NRI.



Pepsi had by now fathomed that the clearance depended primarily on political lobbying and support. Also it had seen that a cursory jargonised statement about food processing was not enough. There had to be more definite, detailed and specific benefit that could give them a talking point. With these in mind they went about their last ditch attempt. And this, it must be said for them was a much more concerted effort, even if it was to be one of the greatest hoaxes the country has seen. This time round, Pepsi partners were the government agency PAIC (Punjab Agro Industries Corporation) and Tata concern Voltas who had already made a not too successful foray into the soft drinks industry with their Volfarm products in partnership with PAIC.

The aforementioned Amitabh Pande, who had turned down all support to the Duncans proposal now stands revealed the strong advocate for the clearance of the Project. August 10, 1985 finds him dashing off a clandestine telex from PAIC to Pepsi addressed to Christ Albright and Nestor Carbonnel, Senior Vice-Presidents of PepsiCo. In a complete Volte-face, he is now conciliatory and supportive to the point of sycophancy. He advises Pepsi to garner political and bureaucratic support to facilitate an early clearance of the Project. Pande's telex (reproduced in the annexure) is self explanatory:

"I have had discussions with Mr JC Chopra, Senior Vice-President, Voltas and my colleagues in the Punjab Government. I have also spoken to Sardar Prakash Singh Badal. On the basis of these discussions, it is my confirmed view that the proposal and the application as it stand does not stand the chance of obtaining Government approval or obtaining strong support from the Government of Punjab. The present proposal will not merely have to be modified but will have to be possibly abandoned and a fresh application made. The proposal will stand a chance of getting very strong support from the State Government if it is made on the following lines... I hope this telex can be kept confidential and at this stage not —repeat not— discussed with Duncans... If the suggestions made above are agreeable, I would like you to write immediately to the Governor, Shri Arjun Singh or the Chief Secretary Shri PH Vaishnov referring to the earlier meetings and mentioning the possibility of collaboration on the above lines. This letter should be from Pepsi and not from Duncans or Voltas or any Indian entity. Once such a letter has been sent I would suggest your team camp in Chandigarh and Punjab for three or four days and work out the details of the proposal and meet all the top officials, political personages, etc."

the implications of an IAS Officer attached Punjab Government communicating in this fashion to organisation he was opposed to initially is to say the least, serious. What caused this turnabout? An official inquiry into Pande's 'motivation' seems called for.



August 6, 1986 finally saw the PAIC formal application for a foreign collaboration with PepsiCo Inc “to establish a joint agro industrial venture predominantly in the area of food processing”.

The joint venture involved this time the PAIC, PepsiCo and in place of Duncans, the Tata subsidiary Voltas Limited. This time the emphasis was shifted predominantly to food processing and less weightage given to soft drinks. Pepsi had learnt their lesson. Notwithstanding, the proposal was not significantly different. This will be discussed in length a little later. However a brief overview of the project is as follows: A joint promoted by PepsiCo, PAIC and Voltas Ltd— Ownership- Foreign : PepsiCo 39.89% India : 60.11% PAIC/Voltas total equity — Rs9 crore Total capital outlay —Rs22.55 crore

- Key elements of venture
 - Agro research centre (outlay Rs1.55 crore)
 - Potato/grain processing units (outlay Rs8 crore)
 - Fruit/Vegetable processing units (outlay Rs7.5 crore)
 - Soft drink concentrate unit (outlay Rs5.5 crore)
- Raw Material utilisation (in Punjab)
 - 80,000 metric tons of pear, tomato, apple, mango (25%of fruit/vegetable production).
 - 20.000 metric tons of potato and grain (7% of total production)
- Export commitments
 - 50% of total ex-factory cost of production
 - Foreign exchange inflow to outflow ratio of 3:1 (outflow includes capital equipment, raw material, dividends, etc.)
 - Export commitment duration of 10 years
 - Minimum cumulative export earning committed Rs200 crore.

This is a very broad summary of the Proposal in Pepsi own words. A more indepth analysis of the frauds follow later on.

THE BUREAUCRTIC SCRUTINY

The procedure normally followed whenever a project is to be cleared is that the Ministry concerned submits the proposal to a PAB began its scrutiny taking into account the in house food processing technology available with Pepsi, the ways and nature of the technology transfers taking place, the employment it would generate etc. The secretaries who constituted the PAB met on September 16, 1986 to go into the above. Later PAIC officials appeared before the Secretary Agriculture and Co-operatives Srinivas Shastri and pleaded clearance of the project. On November 22, 1986, V Vijayshekharan, Secretary at the Food &



Civil Supplies Ministry wrote to the Secretary Department of Industrial Development, Ministry of Industry follows: “with all the salient features, the advantages to the country, etc... not in favour of the proposal. PepsiCo’s projection of 30% of turnover in synthetic materials marketed in India would give a set-back to the Food Processing Industry.”

On January 22, 1987, the Department of Economic Affairs, FNT &T Section listed the following: “soft drinks is a low priority area. Entry of PepsiCo into this area will harm domestic manufactures considerably. The issue is how this kind of matching that is, outgo of foreign exchange and export earnings is to be effecientky ensured and monitored. The question that need to be faced is that once the unit is set up, what are the options available to the Government if the projected exports do actually take place?”

On May 27, 1987 a special PAB decided that a group under the Additional Secretary of Agriculture would examine the technological capability expertise in the food, fruit and vegetable processing industries as well as its ability to assess such technology and transfer it to the project. This further says that this group has to ascertain Pepsi’s willingness for a 60% export obligation. On the specific discussion on PepsiCo’s capability and experience in agro-research and agro-processing in the same meeting of May 27, the department of Food is reported to have said. “they have no definite information on the capability and expertise of PepsiCo. Also no definite assurance has been given by the PALC”.

It was agreed that more information and details were necessary for the PAB to examine and assess the technological capability in agro-processing, technology transfer of food and vegetable processing.

On August 10, 1987 another PAB meeting was held but nothing could be decided as the Additional Secretary, Department of Agriculture had not submitted his findings on the technology aspects. However, the department of Agriculture was asked to continue correspondence on the subject as is revealed here:

“On query of the technical competency of PepsiCo in food processing” the Additional Secretary of the Department of Agriculture reports to the PAB—“CFTRI, Mysore has been asked to examine the technology related issue here also”.

In another meeting held ten days later the answer given in response to the specifications required by the Additional Secretary, Agriculture by CSIR was minuted : “PepsiCo’s proposal does not divulges technological details. Further PepsiCo and its associated companies have experience only in processing potato and maize products.”

The indepth nature of the bureaucratic scrutiny narrated above shows that the proposal did not succeed in obscuring basic issues. It was obvious that no technology transfer worth the name was taking place. Why then did the PAB not reject the proposal outright. Further the decision for the clearance of a Rs 22.55 crore project was forwarded to the



cabinet. The total proposal was sent on September 6, 1988 to a group of ministers constituted by then Prime Minister Rajiv Gandhi himself. Initially the then Finance Minister ND Tiwari was to head the group. But he was replaced by Sardar Buta Singh whose pro-Pepsi leanings were well known. The whole process throws open a number of questions both with regard to the Government commitment to its own stated policies as well as the very dubious modus operandi of bureaucratic procedures. This then overtly was the progress of the Project proposal until its ultimate clearance at the highest level. What led to the clearance of a Project that had led to so much controversy? Here a host of factors as well as Pepsi's behind-the-scenes workings must be taken into account to understand the PM's decision.



CHAPTER 3

BREAKING THE BLOCKDE

No single project has been the centre of so much attention and controversy as the PepsiCo venture. There was a huge public outcry channelised through the Press. The Project was the subject of innumerable debates in Parliaments. The domestic soft drinks and processed food industries too registered stiff protests.

The press in its articles (a few samples are provided in the annexures) stressed the following issues.

- India did not need this kind of technology especially as it was in a non priority sector. Any agriculture and food provide could be developed indigenously.
- The Indian soft drink industry had come into its own and no further assistance was required from an MNC. More particularly, the self sufficiency that had been built up would be undermined by the introduction of a foreign brand name.
- An MNC like PepsiCo with proven CIA affiliation (discussed in the last chapter) was suspect and would bode the country no good.
- PepsiCo's promises were not worth the paper they were printed on and the food processing and export plants were just red herrings to disguise their real goal namely the domestic soft drink market.
- If PepsiCo did have something serious to contribute to the Indian agricultural and food processing industries, then they should restrict themselves to those fields exclusively and not enter the soft drink market at all.



These concerns were voiced vehemently both in the media and in both Houses of Parliaments (see Annexure). The Government did present this alternative to PepsiCo who immediately balked. Their arguments were that Pepsi was their flagship concern and they would not come in for research and processing exclusively. The whole proposal was a package deal and could not be broken down to any single component. As it was, they had limited themselves tremendously in the field of soft drinks. They were not asking for the whole market but only a share in it. All fears regarding the predominance of soft drinks were baseless and were primarily “orchestrated by a cartel of domestic soft drink manufacturers who perceived the entry of Pepsi as a threat. In fact two companies (read & Pure Drinks) controlled over 90% of the market. In this campaign particular efforts were made to discredit Pepsi’s credentials in food technology”. They reiterated that “the venture was preponderantly food related” and that PepsiCo was “primarily a food company with more than two thirds of its Rs20,000 crore business being in food processing”. (this it may be recalled was due to various mergers and acquisitions Pepsi under Donald Kendall had made. Pepsi’s primary concern was, is and always will be soft drinks).

Parliament also saw heated debates questioning the Government’s commitment to its own declared policies and PepsiCo’s real motives.

The controversy was further fired by an open letter written to Prime Minister Rajiv Gandhi by suspended MP Chimanbhai Mehta. In a truly prophetic letter Mehta writes:

Dear Shri Rajivji: Although I am suspended arbitrarily on baseless grounds, I still consider it my duty to wish well of the Congress Party and therefore this letter to you. The burden of this letter is to highlight once again a major political blunder that you and our party are being trapped into. I believed that in your personal backing of the Pepsicola project, we have made a major error. It is not too late to rectify it. We must today seek ways of delaying the implementation of the project so that we have a second look about it in the future. You were advised that it will help you in your first Punjab trip to talk favourably about Pepsi but it has not produced good results. We need to examine several issues involved in once again. The most important issue is that since people believe that Pepsi had your blessing, the Congress-I cannot afford to have Pepsi advertisements at every street corner at time of elections. Our people will see it as yet another pro-rich project of the Rajiv-Congress. People who in large parts of the country have to walk for half an hour to water will see the new American



drink as a symbol of utter disrespect for the basic needs of the people and Pepsicola, unlike the Bofors gun which has damaged us already, will be seen on television screens every day by millions.

The fact I wish to emphasise is that while Pepsi may have been approved under the excuse to export and good to agriculture, all this will not be accepted by the people. In the battle for votes, Pepsi cola in the shops will become a symbol of our government attitude to the poor.

Please bear in mind, Pepsi cola are giants. They respect no governments. They recognize no frontier. Sir, they will seek to attack you seek to stop them. Put a stop to them we must". (in fact Rajiv Gandhi after the election debacle of 1989 in an interview with *Sunday* magazine that the Project was in bad shape now but when he had cleared it, had been different).

Another acerbic letter was penned by IK Gujral (formerly of the Congress and now in the Janata Dal). He was responding to a pro-Pepsi article in *the Times of India* by Prem Shankar Jha. In this letter dated September 13, 1986, Gujral writes:

"Sir, one has been reading so much about the interaction between the pro and anti Pepsi Cola lobbies that one could assume that there is an element of politics-cum-vested-interest nexus on either side. Mr. Prem Shankar Jha in his lucid article had attempted to present the proposition that approving the Pepsi Cola project would make the horticultural perishables marketable at home and abroad. While I go along with Mr Jha in his plea that our agriculture must step into these highly profitable areas, I am unable to buy his prescription for induction of a multinational giant into our horticultural sector.

The offer is beautifully packaged and is quite tempting. But several countries in South America have followed this path with devastating political and economic consequences. These "do gooders" have as everyone knows, pressurised the farmers and given a new phrase to the political dictionary— the Banana Republic.

I entirely support Mr. Jha's contention that horticultural revolution is urgently needed. But the technologies of preservation and incremental production are neither in the exclusive domain nor even a monopoly of one set of countries. Even small countries like Bulgaria and Green have achieved remarkable results in these domains.

These technologies if needed are available in various world markets unlike the fifth generation computers or secret defence. Turnkey offers and



packages like House offered by Pepsi Cola should be purchased only by those countries which are on the threshold of development, which we are not.

Mr. Jha's other point pertains to marketing skills. The Pepsi proposition has an inbuilt tendency to create a monopoly situation that will place our farmers at the mercy of foreigners who can manipulate the price and demand and create glut and scarcity at will.

While I agree with Mr. Jha that "a single project cannot usher in vast changes" it is likely to set up a dangerous precedent and a trend of picking up easy option may bring in many other cousins of Pepsi in collaboration with one State or another. Mr Jan's formulation that "no one else has offered all the packages" should be treated as a challenge by our Ministry of Agriculture and our scientists. Why should they be waiting for someone else to knock at their doors? These small time politicians would be dealing with sophisticated manipulation of MNCS and thus create lobbies that would alter the framework of our time-tested policies".

This then was the kind of flak the Project was attracting. And unless some swift action taken the second proposal too threatened to go the way of the first one. The blockade had to be broke. So Pepsi decided to get into some active lobbying itself.

The first step was to drum up some farmer support. They then went around to sell the project to the Panchayats. In the process they started a signature campaign that was to procure some 20,000 signatures. These were submitted in volumes to the Government. The overt statement being that the campaign conclusively proved that this was what the farmers themselves wanted. With this was a veiled threat to the Government – that should the Government choose to ignore this vote for Pepsi, then they would have to contend with the ire of the farmers when the real voting began. Mahinder Singh Tikait and Kanshi Ram were asked to lend their support. The PAIC which dealt with the farmers in Punjab were behind the collection of signatures. The officers under orders from Amitabh Pande and later his successor Gokul Patnaik out covering every major village and solicited signatures, while making Pepsi's promises of a new agricultural revolution.

The next step in the game plan was the Punjab Card. Pepsi used the rising militancy to twist the government's arm. They touted themselves as the panacea to all of Punjab economic problems. Any attempt to delay the Project would only intensify the already worsening terrorist situation. Further the project



would generate over 50,000 jobs. Every letter Surjit Singh Barnala, the then Punjab CM would write to the centre about the status of the project e was leaked to the Press. This would be played up on the lines of Punjab clamours for Pepsi Clearance, CM writes to PM, etc.

The third step was the assertion that they were the beleaguered lot under constant attack by the local soft drink cartel (read Parle and Pure drinks) who had monopolized the market and were now resenting any competition. To quote a Pepsi brochure “In the end the soft drinks aspect of the venture will mean more competition, more innovation, better distribution and lower prices”. This stands exposed today as complete fallacy. Here they also roped in small bottlers. One such association formed by a M P Jaipuria in Madhya Pradesh kept shooting off letters to the Press and the Government clamouring for the Project clearance. Jaipuria bemoaned the small bottlers predicament. Parle and Pure Drinks according to him dealt only with big business houses. Pepsi he argued would benefit the small timers who would be given the franchises and thus the monopoly could be broken. Today Jaipuria apart, it is interesting to note the small timers Pepsi is dealing with – the Tatas, Birlas, Shrikant Ruparel to name just a few!

The next step was to call in Big Brother who had of course been watching all along. It took over two year before the Project was ultimately cleared. This period was constantly punctuated with mounting pressure from the US Government, in the form of strong communiqués from then Vice-President George Bush, the US Ambassador to India and of course Carla Hills. It was indicated that if the Pepsi project was not cleared it would send negative signals to other potential investors. Phrases like super 301 were bandied about. And all the while Pepsi in the form of Donald Kendall was playing mediator. Kendall was apparently pacifying mediator. Kendall was apparently pacifying Carla Hills that India was indeed a country worthy of investment, as indeed the clearance of the Pepsi Project would show. This was as direct a threat as could be. Rajiv was being told clear the Project or else!

Rajiv however was still vacillating. He was considering the more immediate political repercussions at home with the elections nearing. It was at this time that the next signature campaign hit him. This time it was in the form of letters signed by Members of Parliament. The first one was against the project by Hari Kishan and endorsed by 52 MPs.



And with this letter the REAL Pepsi, the REAL story emerges. Ramesh Vangal it may be recalled was brought in for his trouble-shooting skills to head project. It was Vangal who was very ably orchestrating the whole game plan, clearing each hurdle as best as he could. It was very clear to him that a lot of political support would have to be mustered before the project received the go ahead. While Rajiv Gandhi, fearing an adverse political fallout was playing it slow, Vangal got busy. Pepsi's mole in the Prime Minister's Office (PMO) kept him informed of the progress or, as it was, non-progress of the Pepsi file. The mole advised Vangal to garner political support to quieten the PM's growing unease over the project. Fearing Indian xenophobia Vangal had tied up with India's leading business House and had given the Project as much positive gloss as he could. But things were still not proceeding satisfactorily. So he appealed to the Tatas to use enlist MP Hari Kishan Shastri to fight their cause in parliament. They were fairly confident about his support as their liaison man in Delhi was Anil Shastri, Hari Kishan brother. Anil was briefed to convince his brother who in turn being the secretary of the Congress Parliamentary Party would be able to wield considerable influence. Hari Kishan agreed to help and asked for all related document that would help him understand the whole case. He also promised to mobilise support from his colleagues to pressurise the PM. Accordingly all relevant documents including internal memos were sent to Shastri. But strangely after Shastri received the dossier he clammed up and refused to act it. Vangal, bewildered by this asked the Tatas to investigate. In the meantime their point man at the PMO kept pressuring them to organize political support. Shastri however continued to frustrate both Pepsi and the Tatas. One morning however Vangal was informed by the PMO in the person of their mole that Shastri had indeed mobilised the support of fifty MP in a letter to the PM. Vangal's jubilation was cut short when he was told that the letter unequivocally condemned the Project as a "national sell out" instead of supporting it. And worse, he had used the confidential internal memos to highlight the negatives of the Project. The letter concluded with the strong appeal that the Pepsi Project be rejected in the national interest. The Tatas had meanwhile discovered the cause of Shastri's treachery. They had not bothered to check Shastri out thoroughly before approaching him and in consequence were unaware that Shastri's son Sanjay ran a franchise for Pure Drinks under the name of Sanjay Bottlers. Now shastri's behaviour began to make sense. However it was now all the more necessary to provide a counter letter to neutralize the damage done by Shastri's signature campaign. This would also drive home the point that Shastri was merely spurred on by vested interests. Anil Shastri had now become the object of suspicion. To appease his masters the younger Shastri offered to collect the signatures. However despite the Tata clout



the result was a poor five signatures in as many days. Pepsi's illusions about the Tatas' political influence too were crumbling. In desperation the Tatas brought in Zahid Beg who was a Senior Official with Tata Services, a company which chased up licences and performed general liaison work for Tata companies. Zahid Beg and his assistant Krishnan were roped into help resolve the crisis and bail Pepsi out of the predicament they were in. (Interestingly Zahid brother Murad Ali Beg represents Coca Cola). Zahid beg was considered as he was on a first name basis with most of the top bureaucrats. However it was Krishnan who provided the breakthrough.

In one of the many frenzied meetings held, Krishnan recommended approaching the South Indian group of MPs, as not only were they closer knit but Krishnan's opinion more amenable to pressure. Krishnan felt that if any signatures were to be it would have to be from this lobby. Vangal was not in the least concerned whether the MP signing was from the North or the South. The more distanced from Pepsi's direct sphere of operations, the better. Other however had their reservation about the effectiveness of South Indian MPs clamouring for a project to be cleared in Punjab. But as Vangal pointed out it was now a case of Hobson's choice. According Krishnan got in touch with an MP named Dr. Rajeshwaran through his secretary N Ramadurai.

Krishnan duly fixed up an appointment with Dr Rajeshwaran, and soon Ramesh Vangal, Amitabh Pande, Jagdish chopra (Senior Vice-President of Voltas), Krishnan, Zahid Beg and Anil Shastri were in conference with Rajeshwaran. The proposition was put to Rajushwaran. He was told that just one or a few signatures would not do. they would require over 50 signatures to recover ground lost to Shastri. The doctor (it may be noted here that Rajeshwaran did not have any solid political base but was in the Lok Sabha on film actor siviji Ganesan's quota of five seats) knew his limitations but was loth to let Pepsi slip away. He told Vangal and co that the 'Boss' was just the man for them. The 'Boss' as Rajeswaran and a few others called him being L Adaikalaraj, the arrack king and Congress-I MP from Tiruchirapally. Rajeshwaran promised to contact the 'Boss' and find out if such an extensive signature campaign was possible or not. But Vangal was impatient and a meeting over dinner at The Taj Palace, New Delhi was fixed for the same day. Adaikalaraj however preferred dinner and drinks at his own residence and invited the Pepsi delegation over.

That hot august evening saw the same coterie assembled at Adaikalaraj's residence. Adaikalaraj did not run a successful hooch for nothing.



Though he knew very few MPs outside the South, he was a shrewd man and saw enormous opportunities in linking his lot with Pepsi's. amidst a steady flow of liquor and over a sumptuous dinner Vangal and Pande commenced their sales pitch. Vangal couched the proposal with phrases like "national service". They argued that in India fruit processing was not worth the name and exports were less than 1% of the national horticultural produce. Here was a chance to revitalize the economy. And vested interests were creating stumbling blocks. Large sections of the Press too had been suborned by these vested interests. This tirade continued until Adaikalaraj promised to help them out. But Adaikalaraj wanted to meet Vangal alone. So a breakfast meeting was arranged the next day. Vangal presented himself at Adaikalaraj's residence at 9 am the following day. Over an elaborate south Indian breakfast, Adaikalaraj came directly to the point. He guaranteed a reversal of the whole situation. He would exceed the required number of signatures but what was in it for him? Even the normally suave Vangal was taken aback. He told Adaikalaraj that he was not sure that he would be able to adequately compensate but wanted to know what Adaikalaraj had in mind. Adaikalaraj pound of flesh was a bottling franchise in the South. Vangal was quick to accept. With a lot of theatricality he said that he saw no problem with the allocation of a franchise. Adaikalaraj was however not one to be content with mere promises. He pointed out that once the project was cleared, Pepsi would be under a lot of pressure and lot of other obligations. In Adaikalaraj's own words—
— "look, when the Project is cleared and the job has been done there are going to be a lot of pressures on Pepsi, Voltas and the PAIC and so many people will be in the field for a franchise. There will be cabinet ministers with their sons, their nephews, their brothers and there will be Government and Chief Ministers of the States in which bottling units are to come up and they are all big people and will be putting all kinds of pressures and if at that time Pepsi were to turn around and say sorry Adaikalaraj, we really went to help you but our hands are tied, I would then be sunk". Vangal who saw all this as well within the realms of probability asked Adaikalaraj how he could be reassured. Adaikalaraj said he wanted the guarantee right away. Vangal was amenable and promised him the franchise. This was not what Adaikalaraj had in mind. To quote him again— "Mr Vangal, it is not that I disbelieve you. Maybe you will still have good intentions at that juncture. But as I explained earlier, there will be far too many pressures working and the PAIC as government department will not be able to resist. So tomorrow if you turn around and say no, I will be asked how that could be done now as the Project hadn't been cleared and the company hadn't been formed. Adaikalaraj had the solution. Since Pepsi and Voltas together had over 60% equity, there would be no



problems from the PAIC, especially since the MD was only a Deputy Secretary. Pepsi and Voltas could collaborate and commit the franchise to him in writing. If this were done, Pepsi were done, Pepsi would have the political support it wanted. Now it was Vangal's turn to haggle. He pointed out the commitment worked both ways. What guarantee was there that once the franchise was committed in writing Adaikalaraj would deliver the goods? Adaikalaraj provided the compromise. He said the commitment need be signed only after Pepsi actually saw the signatures. But they would receive the letter only after he, Adaikalaraj had received a written guarantee. Vangal agreed saying that he would immediately confer with Voltas Chairman, Tobaccowala, as Jagdish Chopra did not have the authority to decide. He however foresaw no serious problems in this regard and was very confident of convincing Tobaccowala that the 'price' was not too high.

Adaikalaraj, Dr Rajesh waran and his camp got down to work in earnest. Their task was a little more difficult since parliament was not in session. However there were still many MPs who were present in and around Central Hall. Adaikalaraj and company went around collecting signatures. While quite a few signed off the cuff, many hand to be persuaded. One such was a second term MP called Thangabalu. His face assumed a strange hue when he was approached by Adaikalaraj. He angrily asked whether he was being made a fool of. The reason being that he had already signed on Hari Kishan Shastri's earlier letter condemning the project. How could he then sign a letter stating exactly the reverse. Adaikalaraj pacified him and explained that no one was in a position to cross check. It was the total count that mattered. After some more argument Thangabalu acquiesced.

In all there were seven more MPs who signed Adaikalaraj letter after having signed Shastri's earlier on. 48 of the 54 MPs were from Tamil Nadu. 8 MPs had signed both letters, which (as Adaikalaraj had shrewdly predicted) had gone unnoticed. This prostitution of the system has become a part of our political life. Such is the integrity of our democratically elected representatives! Adaikalaraj's letter with the signatures of 54 MPs was finally ready.

With the letter Dr Rajeshwaran and this writer (see Foreword for explanation) proceeded to Bombay where Adaikalaraj had booked us into the Oberoi Towers. Soon after we proceeded to the Tata guest house. Ramesh Vangal Jagdish Chopra and Voltas Chairman Tobaccowala were already there. Over drinks, we began discussion. Dr Rajeshwaran did not keep us company for very long as the liquor made its effect felt on him. As the discussions proceeded it was



becoming increasingly clear that Adaikalaraj's apprehensions about the bargain being adhered to were justified. Tobaccowala was not in favour of a written commitment at this stage and was full of righteous indignation that anybody could presume to doubt the house of Tatas. He made lengthy speeches about his appreciation of a political force like Adaikalaraj joining them. He was doing all he could to hedge the real issue of the barter. Here I cut in bluntly and asked if he was aware of Adaikalaj's terms. This irked him and he demanded querulously, "Don't you think my word is enough ?" I repeated all of Adaikalaraj's apprehensions and arguments. I also made it clear that Adaikalaraj was steadfast in his view that without the letter confirming the franchise, he would not help Pepsi. Tobaccowala at this juncture wanted to see the letter and 54 signatures. Accordingly I showed it to him fishing it out from the pockets of a now asleep Rajeshwaran. He looked it over exclaiming. "It's a miracle". Having said so, he proceeded to put the letter into his own pocket. At this point I reached out and retrieved the letter from his hand. I reminded him of the formality that had to be gone through before he could claim the letter. Tobaccowala who all this time had been keeping his cool with difficulty erupted— "Are you aware to whom you are talking? I may be only Tobaccowala —that doesn't matter much — but I am also the Tatas and how dare you dictate to the Tatas?" I forbore to remind him that all the Tata men could put together were five signatures in five days. Instead I pointed out that this was hardly a case of terms being dictated. If even now, the Tatas didn't want to go through with the deal, they were perfectly free to exercise that choice. Only, as far as Adaikalaraj was concerned, it was going to be a letter for a letter.

The meeting broke up and (with the inebriated Rajeshwaran) returned to our Hotel. Rajeshwaran, who was by now recovering wanted to call the 'boss' up immediately. I however felt that the game was not through yet. So we decided to wait. And sure enough the following morning saw Vangal and Chopra calling us from the lobby. They came up and described how they had kept at the "old man" until 2.30 in the morning and had finally convinced him of the criticality of political support. Needless to say Vangal's persuasion had paid off. It was August 15, and the Voltas offices were closed. They asked if the letter could be delivered the next day. I pointed out that this was not a letter for the files but more in the nature of a promissory note. Chopra then sent his driver off to fetch an official letter hade. It was on this that Chopra wrote out and signed the franchise commitment. Vangal then countersigned the document. The letter was then taken away for Tobaccowala's approval. Letter in the day the letter reached us again,



this time with a covering letter hoping that “our association would be fruitful and based on complete trust”. Both these letters are reproduced in the annexure.

This was Adaikalaraj’s first deal with the Tatas. But by no means was it the last. When Voltas was threatened by a foreign invasion in air-conditioning, Tobaccowala got Adaikalaraj to shoot out another letter to the PM. This time the price was the distribution of Volfruit products in Tamil Nadu. Next it was ITC that was in trouble with an excise evasion case. Another letter countersigned by MPs pleaded chairman Sapru’s case. This time round he got Rs 5 lakhs for convening a church meet in Tamil Nadu and a cooking oil agency for his nephew. (More of Adaikalaraj’s deals follow letter).

Now that the letter was signed, a few formalities were left. This included a first hand verification of Adaikalaraj capability to run a franchise. Accordingly Vangal and Chopra paid a visit to Trichy where they were shown a Hotel, a wood seasoning plant (both sustaining losses) and the Arrack plant that was the mainstay of Adaikalaraj’s business and as a corollary, of his political clout. Adaikalaraj further impressed Tobaccowala with his political with his political influence by flying down to Bombay to meet him with Arunachalam, the then Minister of State for Industries in tow.

With this the die was cast. The last hurdle had been cleared. Thus, ironically, on Independence Day, 1986, Pepsi were armed with the weapon that would see them through to the Indian market.



CHAPTER 4

THE SECOND COMING

As has been shown, without Ramesh Vangal's careful orchestration the Project would have stood no chance for clearance. Publicly however Vangal sought to keep in the background, playing the part of the persecuted do-gooder. Though he frequently lash out at the "vested interests", he was quite reticent about his own lobbying, leaving the credit for this to his partners —"my job was to keep the Punjab Agro and Voltas people up to data and to brief them on country arguments for every criticism. They did the lobbying" (from an interview in *Business India* dated October 12, 1988). This was in keeping with strict instruction from PepsiCo to avoid as much politicisation of the project as possible. Thus Vangal played puppet master behind the scenes and played to perfection. Arranging the Adaikalaraj-Tobaccowala swap was not his only achievement. He was leaving no stone unturned as his own career hinged on the successful clearance of the Project. He also met Farooq Abdullah, then CM of J&K at the time was facing quite a crisis. There was a huge surplus of fruit production but factories were unable to produce at full capacity due to the paucity of sales outlets. Vangal now transposed the Punjab argument on to J&K. he offered to either set up apple processing plants or to directly purchase fruit Kashmir to be processed elsewhere. He thus prevailed upon the CM to write to Rajiv Gandhi to clear the project outlining the benefits both to the country and to J&K. a thoroughly convinced Abdullah did this.



Next Vangal proceeded to Shimla to meet Raja Vir Bhadra Singh, then CM of Himachal Pradesh. The same spiel produced the desired result— a letter to the PM. Vangal also managed Pande and then his successor Patnaik in using PAIC officers to muster farmer support. He also had them attend Press Conferences with him to demonstrate state backing.

There are innumerable such instance that illustrate Pepsi's hidden persuaders at work. A senior Punjab Government official who was vehemently opposed to the Project in the initial stages suddenly had a change of heart after a visit to the USA. Vangal had cabled Pepsi USA to look after this official during his visit.

Amidst all this he was also seeing to it that at least a few pro-Pepsi articles appeared in the Press to counter the barrage of anti Pepsi that was constantly keeping the controversy in the news. These articles minimised the drink scenario and stressed heavily the benefits to the agrarian economy in general and Punjab in particular. After all this came the letter, the last card he had been waiting for. And Vangal promptly plated it. To keep the pressure on he drafted another letter to the PM. This letter purported to voice the pro-Pepsi feeling in the South. Needless to say this letter was also forwarded through Adaikalaraj, through Vangal had scripted the draft in his own hand. One wonders what the PM's exact reaction was to the letter which oncluded saying "We urge the Ministry of Food Processing to encourage Pepsi identify similar other foreign collaborators to start similar projects in our states in south India to ensure that we are not left behind in this important development." What the PM did not know was that the letter from these concerned MPs was in fact drafted by Ramesh Vangal in his own handwriting on Taj Hotel stationery (where he was staying). This letter is reproduced in facsimile in the annexure. As mentioned earlier Rajiv Gandhi had been delaying a decision to fully consider its implications on the coming elections. While by itself the letter might not have amounted to much it was the last straw broke the camel's back.

September 19, 1988— the day Rajiv was to decide—finally came. A tense and anxious group comprising Vangal Zahid Beg, Anil Shastri and few other including this writer (see Foreword) assembled at the Tata Services Office in Parliament Street. Beg had given instruction that the telephone lines were to kept free for the awaited call from the PMO. Soon the call came through. Beg picked up the phone and his face lost colour. Everyone knew something was wrong. Beg then informed everybody that the PM had just received a note from his former Principal Secretary Gopi Arora who had strongly condemned PepsiCo's entry terming it the "biggest blunder". Arora also warned the PM against the strong political repercussions if the Project were cleared, feeling that it might cause heavy electoral damage. Pepsi's mole in the PMO was not very sure whether Rajiv would clear the Project as he normally took Arora's advice very seriously. They were however to await further developments.

Another tense hour and a half had to be endured before the phone rang again. This time Beg's was reassuring. Beg replaced the instrument and jubilantly informed the gathering that the PM had chosen to ignore Arora's advice and had finally decided to approve



project. On hearing this, Vangal went berserk. His moment of triumph had come. Never mind the fact that the Project had been cleared under tremendous conditionality, and the morrow would bring an even greater hurdle than the clearing of the Project— its implementation. But tomorrow was another day. Or perhaps he was not too perturbed about promises, never meant to be kept.

Both Vangal and Beg felt that the next that the move was to get the Project announced on T.V. Gokul Patnaik, now MD of PAIC, had exercised his influence with Doordarshan Jullundur to organize recorded interviews with ‘selected’ farmers in Punjab. Beg then rang up Bhaskar Ghose, then Director General of Doordarshan, at home (he was in bed running a fever) who agreed to instruct his office to do the needful. Some further lobbying and argument convinced the PMO that after all the flak the project had picked up, it was necessary — if only for Government credibility — that the Project be announced with all its positive features. Accordingly Jagdish Tytler, Minister for food Processing was to announce the clearance on the 8.40 news that night.

The group then broke up having arranged to meet at 8 pm at Vangal’s suite at the Taj Mahal Hotel on Man Singh Road, for a victory party. At eight in the evening the group reassembled at Vangal’s had made elaborate arrangements for this celebration. He had ordered a dozen bottles of the choicest Champagnet the Taj could provide. (one does not after all celebrate with Pepsi-Cola!) he had also booked a fixed time call’ to Purchase, New York, so that the HQ could also join in the celebrations. Finally the news bulletin on and Jagdish Tytler made the formal announcement. Vangal had the receiver against the TV speaker so that his bosses could hear the Minister’s announcement. No matter that it was in Hindi. The announcement was followed by telephonic clinking of glasses, across continents oceans and time-zones, cheering the fact— Pepsi was in!

Though the Government had finally cleared the Project against a storm of protest and without much in-depth study, it had also taken some note of the more basic criticisms. Accordingly it had imposed stronger terms that were handed over to Pepsi. In a letter of intent. Pepsi had under taken to fulfil all those commitments. Based on this the government justified the clearance outlining the following advantages:

1. The Project will create employment for 50.000 people nationally including 25,000 extra jobs in Punjab.
2. 25% of the total fruits and vegetable crop in Punjab would be processed in this project.
3. It will bring in advanced technology to food processing and provide the required thrust to marketing of Indian products abroad since the company is already established.
4. 74% of the total proposed investment is in food and agro-processing.
5. 50% of the total value of production will be exported.
6. Manufacture of soft drinks will be limited to only 25% of the total turnover of the project.
7. Additional tax revenue of 174 crores per annum will be generated.



8. The terms agreed to by PepsiCo in India are far better than their existing agreements with Russia, China and various other countries. In Russia and China they have an export-import ratio of 1:1 whereas in the case of India the ratio will be 5:1.
9. In Russia and China the concentrate is imported from their own plants outside the country. In India, the concentrate will be manufactured within the country and in a company in which majority shares will be held by Indian partners.
10. Export obligation to extend for 10 year instead of the usual 5 years.
11. Net foreign exchange earning equal to more than 5 times of the total foreign exchange outflow. This means that for every dollar that India spends in foreign exchange on this project, the company will ensure an export earning of 5 dollars.
12. The company would be allowed to repatriate profits only after they have fulfilled their export obligations, that is, only after they have earned 5 dollars will they be allowed to repatriate or spend in foreign exchange even one dollar.
13. Import will be totally according to the existing policies of the Government of India and will bear all customs duties as in vogue at the time of import.
14. The promoter has agreed that export activities can start immediately on approval and within the first year they will deliver export of agricultural products worth at least Rs 20 crores.
15. An Agro Research centre to be established by PepsiCo which would function in consultation with ICAR and Punjab Agricultural University, Ludhiana.
16. No foreign brand names will be used for domestic sales.

These then were the commitments made by PepsiCo to enter India. Today the company has reneged on every singly commitment, flagrantly violating most condition and quibbling at the semantic of some. This will be discussed in detail in the following chapter.

Soon after the go ahead (in February) Pepsi set up a snack food plant and tomato processing unit at Zahura in Hoshiarpur District. Three months later a soft drink unit was up at Channo.

With the project underway, Pepsi still faced a lot of flak and many disquieting moments provided by the media, parliament and its astute competitors— Jagatjit Industries in the chips area and Parle – Pure Drinks in the soft drinks scene. But its most disquieting moments from a completely unexpected quarter: its arch rival Coca Cola.

While Pepsi had been going through the grind of lobbying, negotiations, conditions etc. Coke had been silently watching. Though Coke had been unceremoniously evicted from the country in 1977, they had by no means abandoned the hope of returning. In an interview to *Beverage World International*, Coca-cola President and Chief Operating Officer Donald R Keough states: “We left India in 1977 at the time that the Gandhi party was thrown out of office. Coca-Cola and other important companies sort of became enemies of



the government in power at the time. We left and we have not returned.” “But”, he assures, “we’ll be back”.

With the Pepsi project finally okayed, the Empire was ready to strike back. Earlier in 1986 after Pepsi had submitted its application, Coke had sent a team of experts to study both the current Indian market scene as well as its rival’s project proposal. The Coke team studied the Project and found it threadbare and with only a very slight chance of clearance. This chance hinged, as they astutely perceived, on political support and the food processing component. Their surveys also revealed that despite the fact that they had been away since 1977, general “unaided brand recall” for Coca-Cola was very high. (This is not very surprising as Coca-Cola is arguably the best known brand name the world over). Coke elected to out of the reckoning seriously. It however kept its rival on its toes by submitting minor proposals in succession. Coke was convinced that PepsiCo in having committed themselves to stringent food processing and export terms had bitten off more than they could chew. It decided to do all it could to bind Pepsi inextricably to the food processing components. Coke therefore bided its time playing cat and mouse. Finally the MNC moved and the move was brilliant in its simplicity.

The Indian Government had set up various Export processing Zones (EPZ) or free Trade Zones (FTZ) as 100% export oriented units. By policy these zones were reserved for high priority items and the products manufactured here were not to be sold in the domestic Tariff Area (DTA). Both these rules had however seen gradual erosion. The EPZ now also just two inessential items. Also on a case basis, 25% of production was allowed domestic sales as a viability factor.

Coke having studied the scenario submitted a proposal to set up a manufacturing unit at the Noida EPZ. The proposal also asked for 25% domestic sales to make the project viable. The government having set a precedent with inessential commodities could not extend this argument as grounds for rejecting the proposal. This smooth move caught PepsiCo flatfooted. A panic stricken Vangal began sending frantic telexes to all his contacts. While the Government was deliberating this fresh development, Vangal got busy. Coke too had up its contacts and the Commerce Ministry was actually pushing the proposal.

The Pepsi-Voltas combine were by now monitoring every move in the commerce and Food “Processing Ministries. Here they found the services of Lincoln Coeloh, a Voltas Liaison man, invaluable. Coeloh had built up extensive contacts with senior bureaucrats who kept him up to date on file movements and even memos to and from senior bureaucrats. Coeloh was asked to move to Delhi. Coeloh refused as his wife was professionally based in Bombay and a move was not possible. When pressure began to mount on him he preferred to resign. At this however Tobaccowala climbed down and suggested a compromise. Coeloh would spend four days a week in Delhi until this crisis was over. Though the air commuting this arrangement resulted in cost a fortune, Coeloh information was deemed well worth the expense. Pepsi even managed to get copies of the coke proposal. Having studied it Vangal



despatched it to Pepsi USA asking them to submit an identical proposal. So before the Commerce Ministry had decided on one proposal, it had two on its hands. Pepsi's petulant stand being — if Coke was cleared, then Pepsi also had better be! Though Vangal had gauged that the EPZ schemes stood little chance of clearance, he was leaving nothing to chance. He immediately got in touch with his PMO mole and communicated Pepsi's displeasure at the Coke proposal. He next contacted one of his franchisees who was highly influential in Punjab and a personal friend of Governor Siddhartha Shankar Ray (Punjab was now under President's rule) to get Ray to voice a protest. Ray was a known votary of foreign capital. In 1977 he had gone on record vehemently opposing Coke's ouster. Now to his embarrassment he was being asked to state exactly the reverse. He was however prevailed upon and dashed letters off both to the PM and to Commerce Minister Dinesh Singh, stating that in the advent of Coke's entry Punjab would suffer, as there was every indication that Pepsi would withdraw from its earlier proposal and would also prefer the simpler EPZ route. He was further prevailed upon to visit Delhi to hold direct talks with Dinesh Singh. Jagdish Tytler also wrote personal letters to Dinesh Singh asking for the rejection of the proposal. This sparked off an inter-ministry row. Dinesh Singh felt that the matter was no concern of tytler's. he argued that Coke's proposal complied with all the necessary rules and regulations and its rejection would send wrong signals to other foreign investors. The same argument that was earlier used in favour of Pepsi was now being used against them. Once more the decision was deferred to the Cabinet.

Vangal by now was desperate. He now mobilised another of his high profile franchisees to step up the pressure. With this things finally began to happen. The upshot of the move being a note from the PM to the Commerce Ministry stating briefly that the Coca-Cola proposal was not to be cleared if it in any way jeopardised Pepsi's original proposal. The Coke proposal was duly shelved and Pepsi were able to breathe again.

Coke, however had attained its objective. It stood to win both ways. If the Project had been cleared, they would have had access again to the Indian soft drink market. Now that it had been rejected they had played up Pepsi's commitments to Punjab and food processing. They had also shown up Pepsi's real intention in entering India. If as Pepsi had stated earlier, their involvement was primarily in food processing with soft drink being only a "small share" of the whole package deal, they need not have raised the hue and cry they did when Coke asked for another "small share". They seemed to have forgotten also their own argument that "there was room for all" and "more competition means more growth, more innovation, better distribution and lower prices". Such are the two faces of Pepsi, but this was just the beginning. The worst was yet to com



CHAPTER 5

SMOKE SCREENS

Having managed its entry, Pepsi quickly got down to business. True MNC business. Today it is obvious that Pepsi had no intention of keeping its side of the bargain. Right from the beginning it started blustering its way out of various commitments.

The first was a hike in costs. The Project initially had worked out detailed costs amounting to Rs 22 crores. Subsequently this sky-rocked to Rs 75 crores. This was a ploy in the standard MNC tradition to repatriate money. The furore that followed saw the Government asking Pepsi for an explanation. In December 1989, Pepsi send a letter to the Food Processing Ministry ‘explaining’ the rise in costs. A substantial part of the hike was due apparently to the cost of covering infrastructural facilities and utilities which were not taken



into account previously. These included back –up generators, refrigerators, cold storage machinery. Pollutin/water and waste treatment plants, etc. It is hard to believe that these professed international experts who had submitted voluminous feasibility reports had overlooked the most basic ‘utility’ items. The letter instead of clarifying the earlier application actually contradicts it. For example, in the earlier application, water treatment and utilities had already been accounted for. Another interesting fact that the letter puts down is Rs 4 crores as Waste Water Treatment for the Snack Food plant and an additional Rs 4.7 crores for the same facility for the soft drink plant. But both the plants are on the same site and have common utilities. In fact the project appraisal note prepared by the IFCI (Industrial Finance Corporation of India) states that the processed foods and soft drink concentrate units will have common effluent treatment! A second reason for the cost hike is attributed to the increase in capacity. This is manifestly untrue as the Government has not allowed any increase in capacity. But Pepsi has increased its costing for its fruit processing plant from Rs 6.9 crores while in actuality annual capacity has plunged from 12,000 tons to 7062 tons.

Pepsi’s initial costing for fruit and vegetable processing included processing of pears, apples, guavas, mangoes and tomatoes comprising roughly 80,000 tons of fruit from Punjab every year. And despite the fact that not a single fruit has been processed, the costs towards fruit processing have quadrupled. The snack plant has also seen increase from Rs 8 crores. A comparison with similar Indian plants exposes this sham¹. Jagatjit Industries (makers of the Binnies line) set up plant at a cost of only Rs 5 crores. And the Binies plant has a capacity of 550 Kg/hr Pepsi’s 500 Kg. It is obvious that the machinery imported by Pepsi has been over-invoiced by around two to three times (200-300%). Pepsi’s soft drink concentrate plant has seen a similar hike from Rs. 5.25 crores to 14.48 crores. Similar plants to set up by Parle and Pure drinks have cost under one crore. Coca cola which proposed a similar plant (but with a 10% higher capacity than Pepsi’s) for its EPZ unit project a cost of only Rs 2.76 crores. Pepsi initial costing of Rs 5 crores was in itself high, but the current of Rs 14.48 crores is to say the least, absurd. These cost hikes follow no reasoning or logic. Building waste water treatment and utilities initially totalled only Rs 4.15 crores. Now the building costs alone are Rs 8 crores and the Waste Water Treatment and utilities are Rs 15 crores. The total project cost in 1986 was Rs 22 crores. Now the plant and machinery costs alone are Rs 24 crores. And of this Rs 17.8 crores is imported machinery most intriguing is the staggering Rs 10 crores billed to preoperative and preliminary expenses. An expenditure of Rs 10 crores on pre-operative expenses alone is not something a State Corporation like PAIC in its role as equity partner can afford. And the argument that none of these expenses were planned for is hardly convincing. And here a clarification from the company as to when these pre-operative expenses date from, is essential. Do these expenses date from the clearance of the Project (when actually operative costs start to accrue) or do they go back to 1986 when Ramesh Vangal as Pepsi’s representative based himself in India. Or are these cost incurred by Vangal between 1986 and the actual clearance in 1988? If so a high level inquiry in to the involvement of a Government body like PAIC in this deception is indicated.



The costing scenario also throws up a lot of related questions. The Financial Institutions have already sanctioned a Rs 43 crore loan to Pepsi Foods. Was this loan sanctioned under duress? Because in normal circumstances with such clear evidence of artificial cost hikes and over invoicing a lone would be out of the question. Here it is rumoured that influence exerted by Anil Shastri — in this new role as VP Singh's successful candidate from Varanasi — swung the lone. But whether Shastri or somebody else, the fact remains that a Rs 43 crore lone was sanctioned to a company with obvious malafide intent. This calls for some investigation. The sanctioning of this lone by the IFCI was based on certain sales projections made by Pepsi. These projections have proved hollow as a study of Pepsi's first year sales show. Snack food sales were projected at Rs 13.29 crores. Despite an advertising expenditure of almost one crore, sales just touched two crores. From the first to the second year, Pepsi's sales projection almost doubles from 13.29 to 25 crores. If the first year is any indicator then these projections are nothing but pipe dreams. Even the first years sales are deceptive. As mentioned earlier this was achieved by a fantastic advertising expenditure of one crore. With this and their sales tie-ups of cycles etc as gifts it is doubtful if Pepsi will be able to recover the cost of its packaging, leave alone the cost of the contents, salaries paid, machinery etc. Another interesting sales projection in their bank loan application is in the area of fruit processing. The first year projection here is Rs 8.76 crores which leaps to 14.5 crores in the second year. As fruit and vegetable processing was basically for exports, Pepsi's is shown up again. In the financial year 1990-91 it has failed to deliver its first export order and has not earned even a single dollar in foreign exchange in this field.

These questions about the project cost hike were raked up earlier too. Dipen Ghosh, a CPI (M) MP asked several questions in parliament. A petition jointly signed by 52 MPs was sent the Government demanding an inquiry into the swindle. Further the late Sandar Darbara Singh, a senior congressman and former Punjab CM personally met this writer and was apprised of the exact situation. All this was before the lone was sanctioned. Singh had written letter to both the Government and the Financial Institutions listing the allegation and demanding the stoppage of the lone. Neither this letter nor the earlier petition were given much consideration. Or was it that far greater pressure prevailed? For, notwithstanding these questions, the lone was sanctioned.

Today the Project is a Rs 75 crores venture with the same equity stakes as before — PepsiCo 39% Voltas 24% and Punjab Agro 36%. And this cost hike of Rs 53 crores when closely examined for over invoicing and other unjustifiable increases, will reveal at the very least unnecessary costs of Rs 40 crores. The equity requirement by the three partners jointly would have been Rs 25 crore with the balance being loans from banks and financial Institutions. That being so, Pepsi's equity of 39% would amount to about Rs 10 crores. But as mentioned earlier the amount siphoned off would be at least Rs 40 crores. This would mean a neat profit of Rs 30 crores on the project cost hike alone. Here question again surface about the Partners. Are Voltas (who would have to fork out 5-6 crores commensurate with their 24% equity) and PAIC (whose share could be about 8 crores for 36% equity) party to this swindle? Punjab Agro in Particular has a lot to answer for, as their equity contributions from



treasury coffers. Obviously a lot of support and pressures was exercised. A complete investigation into involvement at every level is called for.

The second phase of this saga of deceit surfaced with the import of machinery. The machinery to be imported was specified in Pepsi's report to the institutions from whom they had sought credit. Also detailed in the report was the manufacturer from whom they were to import machinery. Surprisingly when PepsiCo decided to actually import the machinery they did not do it from the company they had specified in their proposal. The equipment was procured instead from a firm calling itself Crunch Barrel foods Incorporated, for which the CCIE (chief Controller of Imports and Exports) granted them an import licence. Crunch Barrel's price was much higher than the manufacturer's price. Subsequent investigation has shown that Crunch Barrel was just another front repatriate foreign exchange from India. The Crunch & Barrel letters/invoices show a number of irregularities. No definite address was listed. Only Crunch Barrel, Dallas. The Dallas telephone directory did not list it. Neither lock nor stock of this Barrel Company could be traced. The Dallas Country Clerk also could not find any such company registered and issued a certificate to this effect. Instead of an address the invoices gave a post Box number, which is entirely without precedent. No invoice transacting crores worth of business in designated with just a post Box number. This was an obvious attempt at concealment. The fraud was uncovered through another invoice which had a telephone number listed. This telephone number (again, as a rule telephone numbers do not feature on invoices) was traced and was discovered to belong to Pepsi International. Obviously some clerk had inadvertently typed it. But the truth was out. Crunch Barrel stood revealed as a bogus company wholly owned by PepsiCo with its headquarters in the offices of Pepsi International. Also the company had not transacted any business for two and a half years. A pointer to the fact that the application was typed in India is the prefixing of M/s to Crunch Barrel. This obvious Indianism is definitely suggestive if not conclusive.

The fact that Crunch Barrel was an obvious front for over-invoicing was revealed when some local firms requested quotations from the manufacturer (who was supplying to Crunch Barrel) for identical machinery. The manufacturers unaware of the controversy in India, sent routine quotations and pricing as they had no doubt sent to Crunch Barrel. The quotations obtained by the local firms was found to be less by lakhs of rupees as compared to the inflated Pepsi was paying Crunch Barrel. The case was referred to the Directorate of Enforcement. Pepsi on being approached were forced to admit that Crunch Barrel was in fact their own company. However after this the case has not been followed up. A question in Parliament in this regard furnished the answer that "the Enforcement Directorate was looking into it". They however do not seem to be looking too hard!

The next manifestation of duplicity is Pepsi's hedging on the jobs promised. When the project was cleared, it may be recalled that Jagdish Tytler himself announced to the nation (on national TV) that 50,000 jobs would be provided and additional 25,000 jobs would be created in the agricultural sector. Pepsi finding themselves in a tight corner tried to bluster out of it by denying the fact that a specific number had been committed. Said Asim Ghosh,



Co-Managing Director of Pepsi Foods, “I don’t see from where the Minister has got has got his figures of 50.000 jobs. We never said that it is going to be 50.000. We did say jobs will be provided. Obviously when any factory is opened, jobs are provided. But we never committed the exact number. I don’t know how the Minister is saying 50.000. You had better ask the Minister, not me”. PAIC in its application for the joint venture had also specifically stated that 50.000 jobs would be provided if the project were cleared. Pepsi as a partner in the project cannot plead ignorance. Further, there exists Vangal handwritten statement which is reproduced in the Annexures. Pepsi in a status report claimed to have generated over 25.000 jobs! This again is a complete hoax. These jobs include the paanwalas and retailers who dispense soft drinks and snacks. They already had their outlets and Pepsi products are mere additions to their stocks. Practically no fresh employment has been generated.

Yet another method Pepsi has used to hoodwink the Government is their price mechanism for the sale of their concentrate to franchisees. A newspaper which contacted Neel Chatterjee, their PRO, was brazenly told that this split price mechanism was adopted to reduce the excise burden on their franchises. This price mechanism involved splitting the cost of the concentrate into two components: basic cost and royalty. For example, if Rs 8 were the cost of concentrate percrate, Pepsi would project concentrate cost, as Rs 6 and Rs 2 would be royalty. This way excise need only be paid on Rs 6 which it is true does benefit the franchisees. But the balance Rs 2 per crate is pocketed by Pepsi.

Though by no means excusable, all this financial jugglery would not have mattered quite so much had Pepsi made good its promises. But every single day single day since the clearance has increasingly brought home the fact the these promises were nothing more than the lure to clinch the deal.

Pepsi excuses for not meeting their commitments have been both numerous and feeble. They were obligated to process tonnes of pears, mango, tomato pulp, etc. However they have reneged on this citing ridiculous causes. For example, Vangal is on record saying “we cannot export fruits because the freight cost between Chandigarh and Bombay is more than the freight cost between Bombay and New York”. It is surely a little too much to believe that a MNC could overlook something as basic as freight charges prior to planning a business venture. The fact that such an excuse could actually be forward is typical of the MNC’s contempt for the third world.

This defiance has manifested itself it many other ways as well. As per the rules of the contract Pepsi was to be granted an Industrial licence only after the letter of intent conditions were fulfilled the letter of intent was not converted into an industrial licence. Pepsi however was not perturbed. Neel Chatterjee is on record having said that they (Pepsi) don’t know how the Government can say that it is not going to give the industrial licence. According to him Pepsi doesn’t need one and would go to court if the government to create any problems. The Chandra Shekhar Government ordered Pepsi not to further expand its soft drink bottling operations. Here Pepsi took advantage of a loop-hole in the rules. No



restriction can be applied if one company having a FPO(Food Products Order) licence to manufacture Pepsi drinks asks another FPO licence holder anywhere in the country to manufacture Pepsi drinks. Pepsi is using this loophole to expand as much as it wants to. This system termed 'relabelling' gives Pepsi legal sanction to flout Government directives. Why did the bureaucrats concerned not foresee and plug loophole? Further if the Government asks Pepsi to explain their costing of concentrate (see earlier split Price Mechanism) Pepsi retorts that the pricing is a private business arrangement between Pepsi and its franchisees, and is none of the Government business. Pepsi is thus defying Government scrutiny. The Chandra shekhar Government appointed a three member committee to probe into the state of affairs vis-à-vis Pepsi. It event into all the details and asked Mianwal, a Vice President in the company, during an enquiry session, as to how and why Pepsi had crossed the 25% restriction with regard to soft drinks? On what basis was Pepsi expanding its soft drink operations when it had failed on every count? Mianwal's reply is again typical of Pepsi's devil-may-care attitude. He said that he did not know why the soft drink business was being connected to the other terms and conditions. The company was successful in the soft drinks market and would gradually attend to the food processing export and agricultural commitments. A reply of this kind confirms the worst fears and apprehensions about the project. Dipen Ghosh, MP has been doggedly pursuing the Pepsi issue. To his question in Parliament as to whether Pepsi could into the soft drink market without fulfilling the other conditions on the other conditions on the letter of intent, Jagdish Tytler answered in the simple negative. But the company has been rapidly increasing its involvement in soft drinks, having the first week of August 1991 launched its orange drink Mirinda. Pepsi's Delhi franchisee Shrikant Ruparel has installed a second line of production for increasing his capacity. Pepsi has been steadily streamrolling all official enquiry. The latest is their questioning the authority of law under which the Food Processing Ministry had issued it a show cause notice for nonfulfillment of conditions.

Such has been Pepsi's audacity. They have violated every single condition in their contract. Export and foreign exchange commitments have not been met. Pepsi has also defied the condition that 50% of their produce be exported. To put up a front the company did involve itself in some exports. But not the fruit or vegetable based products one would expect. No, their items of export include towels, footballs, champagne, shoes to name a few. These exports already existed. It is only the nomenclature of the exporter that has change. How then can Pepsi claim these as generating fresh foreign exchange? Was this MNC brought into the country that it could export towels? As for the items they were supposed to export they have various excuses ranging from price to freight to quality. Indian kinnos they have suddenly discovered are thin and sour and far too expensive when compared to Mexican and Brazillian varieties. Similar reason have been provided for their inability to export or process apples, pears, mangoes and guava. With the threat from Coke's entry, Pepsi produced a letter of Credit from their parent company for a Rs 7 crores order for Tomato paste. Here was a item that was needed in Pepsi's food outlet chains like Pizza Hut & Kentucky fried chicken. The tomatoes of Punjab could well have been used for sauce or paste for Pizzas. But with the Coke proposal rejected the export farce was dropped. With the prices of tomatoes in



India the way they are, there is no way Pepsi can export them to their own franchisees, let alone the highly competitive European market it had promised to tap.

Pepsi had claimed Rs 9.62 crores worth of exports as its own produce. Times TV who were planning to launch a video news magazine had decided to do a feature on Pepsi in their inaugural issue. On the matter of these exports their interviewers asked Pepsi to name the factories where these goods had been produced. Pepsi declined to oblige. The camera team however located the factories on their own and filmed them. The video magazine project was subsequently dropped but the evidence exists on film. The Ministries concerned would be well advised to procure and view these tapes.

In July 1991, under pressure from the Government and the media for their neglect of the agro and food processing side of the contract Pepsi conjured up a Dr Watson who claimed to be the Vice President of agricultural Technology, PepsiCo. Dr Watson's promises of agriculture inputs did not impress the specially invited Press. One does not need a Sherlock Holmes to make the "elementary" deduction that this was just another front. Pepsi does not and never had any reputation or expertise in agricultural or expertise in agricultural or horticultural technology. Manufacturing and marketing chips and running a fast food chain does not qualify one in agricultural technology. This fact again reiterates the well-founded fear that Pepsi is in India primarily to peddle their soft drinks. Neither the agricultural research nor the specified exports committed have taken place. In the Rs9.62 crores that Vangal claimed as exports were included as mentioned earlier towels, rise tea shrimps, etc. the letter of intent clearly specifies that 50% of total production is to be exported and of this 40% had to be Pepsi own produce. Vangal began to claim these exports as self-produced. Rich and tea bought from the open market and repackaged are what Pepsi calls 'self-produced'. Intriguingly the Government did not take Pepsi to task then. Pepsi immediately began to claim that it had met its export commitment and with 9.62 crores as its computing figure claimed that soft drinks were indeed only 25% of the total turnover. In fact they had exported 62% instead of the required 50%! The Food Processing Ministry was however not amused. Its secretary RK Rath sent a letter to the Commerce Ministry: "It has been brought to our notice that Pepsi has been making all kinds of claims". Calling these lies, Rath lashed out at Pepsi saying that they had not exported a naya paisa's worth under their contractual obligation. He further charged them with having crossed the stipulated 25% mark for soft drinks. According to him every export of Pepsi's could at best qualify under the 10% trading leeway they were allowed. The 40% specified production' had not been met. He was very categorical in his definition of specified production. Leasing a few factories (as Pepsi had claimed to have done), buying products off the market to repackage and export them or rechanellising already existing exports were not what Pepsi's export and foreign exchange commitments were all about. A week after this Rath wrote another letter to the Commerce Ministry recommending panal action against Pepsi.

If Coke was denied a right to operate in India for soft drinks only, then why should Pepsi be allowed to do so? For effect that is what Pepsi operations in the country



amount to. These then, are very broadly Pepsi flagrant violations of their contractual obligations. Much of this has been in the public eye through the Press and Parliament (see annexure: The National Debate) and most of it is “being looking into”.

There were however more convert transactions that Vangal and his franchisee Adaikalaraj, MP were involved in that have not been made public until now.

Following the barter of letters on August 15, 1986, Vangal found in Adaikalaraj the ‘fixer’ he wanted. Adaikalaraj activities were not confined to just mobilising support for Pepsi. Nor were his talents limited to autograph hunting. Being arrack baron is no easy task and Adaikalaraj was well versed in the art of wheeling-dealing. He had at one time contrived to obtain five industrial licences in the names of his sons and sons-in-law for various. He had even printed letterheads for the bogus firms that were to be granted these licences. The files which had been processed were unfortunately lying in the office of Arunachalam, then Minister of State for Industry when a reporter Vivek Saxena from *Jansatta* walked in. The next day’s front page story in the *Jansatta* dissuaded Arunachalam from granting Adaikalaraj “favours”. Yet another instance of his being party to fraud exists in CBI files where one MC Jacob of alwaye, Kerala is under investigation for having fraudulently obtained a lone of over a crore of rupees from a bank in the name of a co-operative society of weavers. Adaikalaraj was the director of this society and had co-signed the bank documents with Jacob. When the CBI investigations began he convinced Jacob to keep him out of the imbroglio as he could then use his clout as MP to kill the case. These go to show Adaikalaraj experience in underhand dealing. These however were nothing compared to the heights (or depths) he would reach, once in cahoots with Vangal.

Vangal approached Adaikalaraj and asked him to raise some money. This money was obviously to grease the various cogs in the government machinery. Adaikalaraj agreed to raise some money by selling Pepsi distributorship and dealerships, but wanted a letter of authority on a Pepsi letterhead. Vangal obliged addressing the letter to Adaikalaraj son Vincent Joseph who had cut short his MBA studies in America to return to India when his father landed the Pepsi franchise. Vangal issuing of the letter was in itself highly irregular. At the time PepsiCo had not been formally incorporated in India and Vangal therefore did not hold any office in India. Subsequent development with another letters indicate the probability that Vangal did not even get clearance from America. A formal letter from Voltas was already with Adaikalaraj. Why then did Vangal consent to give another letter? It is obvious that both were cashing in on the PepsiCo name. With the letter in hand Adaikalaraj began to collect money. He managed to net Rs. 2.5 crores in all from various people. A list of these future dealers in itself is revealing as to the kind of people Adaikalaraj was used to dealing with. But Adaikalaraj attempts at ‘resource-generation’ were not confined to India alone. He figured he could collect higher sums from NRI investors. For this he contacted his US based brother-in-law Richard Arokiaraj. Arokiaraj was promised the Managing Directorship of the



firm Jennyz Pvt Ltd. The firm, named after his granddaughter Jenny was to have his son Vincent Joseph as Chairman. Arokiaraj agreed and advertised in some newspapers asking interested parties to contact the provided Post Box number. The name of the firm was not advertised. Among the respondents were two doctors with extremely lucrative practices. They were Dr Ravi P Makan (1120, W Lapalma Apartments 14, Anaheim CA 9280/ph: 71477497447) and Dr Raghuvendra Prasad (16641, Bolera /lane, Huntington Beach, CA 92649/ph: 2134321111). These two met Arokiaraj for further negotiations. Arokiaraj displayed two letter— Vangal letters of authority and Adaikalaraj 54 MP letter. The letter was to emphasize the importance of Adaikalaraj political support to Pepsi. He also mentioned the fact that he was to be MD of the firm owned by his future son-in-law (an alliance was being considered at the time between his daughter Pearline and Vincent Joseph). Although the doctors were convinced that the venture merited investment they were cautious. The doctors were to jointly raise Rs 1.5 crores for wholesale dealerships for their home states of Andhra Pradesh and Karnataka. The doctors agreed to pay half the money through crossed cheques in favour of Arokiaraj as return for a money back guarantee in the event of the venture not taking off. True to customary US business practice the doctors also consulted a law firm. The law firm was of the opinion that since a senior executive of PepsiCo had issued the letter, there was no ground for any concern. However purely as a matter of routine they despatched a letter to Pepsi USA appraising them of the situation and seeking a formal authentication. They also detailed the facts regarding the letter of authority and the franchise. This was news to PepsiCo. They were obviously unaware of this new development, and were in a fix as they knew that they had neither the moral nor the commercial right to issue a letter as the company had not yet been incorporated in India. However if they disowned the letter, Vangal would end up in an embarrassing position. They however disapproved of the way in which Adaikalaraj was using their name to drum up investments. However, after some deliberation they decided in Vangal favour. They despatched a highly ambiguous reply to the law firm which said that though they did not deny the letter of authority the matter had not been firmed up yet. But Vincent Joseph was a strong contender for the franchise. This satisfied the doctors who provided Arokiaraj with more money. The rest they said would be paid up when they saw a letterhead designating Arokiaraj passed this condition on to Adaikalaraj who was not too pleased about this development. He had no intention of making his brother-in-law MD. Vincent Joseph duly sent off the following letter. “to whosoever it may concern. This is to certify that Mr Richard Arokiaraj is authorised to negotiate on behalf of myself, the sale or the agreement to sell the distribution rights in the States of Andhra Pradesh and Karnataka”. Arokiaraj was not too happy with this missive but had no option but to accept it. He showed this letter to the doctors who reacted very strongly. They had paid out money based on the assurance that Arokiaraj would be MD, which in turn was backed his credibility as a US businessman. This letter however proved him to be nothing more than a middleman. They refused to put in any more money unless the principals themselves came to the US. Adaikalaraj on being informed was worried. He then applied for a study tour which he was eligible for as an MP. He flew to America in May 1989 having drawn foreign exchange from the Reserve Bank of India. On arrival he immediately met the doctors and reassured them that there was no ground for worry. He was to be Chairman and his son MD



and with his position in Parliament everything was doubly safe. The doctors were convinced enough to issue another cheque to Arokiaraj.

Soon Vangal was in need of more money and turned to Adaikalaraj. Adaikalaraj instructed Arokiaraj to transfer the money to a certain Kapadia in London. Accordingly about Rs 30 lakhs was transacted through a bank transfer. But demands from Vangal not stop here. He wanted more money paid in India. Adaikalaraj decided to turn on the screws on the hapless doctors. The doctors when threatened with the loss of their dealerships agreed to pay up provided they were supplied receipts signed by Adaikalaraj as Chairman of the company. Adaikalaraj saw that a second trip to the US was called for and he decided to tie this up with the purchase of machinery in Brazil. Adaikalaraj duly had meetings with Doctors Prasad and Makan. He now wanted them to pay \$1,50,000 which was to paid as the signing amount to Holstein & Kappert Ltd, (H&K), the Brazilian firm which was to supply him with machinery for his franchise. A cheque was made out to the firm by the doctors. However as they were not party to the placing of the order and not connected to Pepsi India they appended a letter to H&K, Brazil stating that the Banker's cheque issued was on behalf of L Adaikalaraj, Chairman of Jennyz Bottlers (p) Ltd. They clarified that this be taken as advance money in consideration of the agreement which Adaikalaraj would be signing with the firm.

Most of Adaikalaraj's dealings outside India were gross FERA violations. He was collecting money in foreign exchange for a consideration for a business deal in India that was to result in payment to a Brazilian firm. This was a complete hawala transaction. The total amount that the doctors had to pay was 1.5 crores. From this 1,50,000 were being paid to H&K. Adaikalaraj was also deducting all the costs of his travel and stay to, from and in the USA and Brazil. It is noteworthy that the Directorate of Enforcement has not sought to probe into these transactions when they are sharp enough to jail Nusli Wadia for the smallest of violations. Ramesh Vangal too benefited from these dealings. He has acquired a huge farm in Hosur, a district bordering Bangalore. Vangal claims this purchase was from his earnings in foreign exchange. A comparative evaluation of neighbouring farmhouses would prove interesting. Vangal has been paying Vincent Joseph in America as in indirect payment to Adaikalaraj who helped him purchase the farm house.

Adaikalaraj also conned USA into believing he was a business magnate. The normal procedure for the allotment of a franchise involves a verbal and documental presentation of the contender background and ability backed by duly attested financial statements. Since the franchise was already committed to Adaikalaraj he did not have to go through intensive scrutiny. Nevertheless he had to prove his financial credibility which, typically, he did with a bogus bank certificate procured through his clout. He projected his turnover from his various businesses like the earlier mentioned wood seasoning plant, theatres, ITC & Voltas distributorships, hotel, etc. as Rs 120 crores. This seemed to satisfy the Pepsi team (headed by Roger Enrico himself) who had come to India to allot the franchises, and Adaikalaraj was formally allotted his franchise. From this stemmed his various scams. Adaikalaraj however was not the only franchisee to import machinery. Both



Voltas and Shrikant Ruparel's Unikool Bottlers (p) Ltd who were franchisees for Bombay and Delhi territories respectively imported their machinery at the cost of foreign exchange. Could this outflow of foreign exchange have been avoided? During the preclearance days Pepsi asked its machinery expert Bill Emden, Director of Engineering at PepsiCo (currently in charge of Singapore and Hong Kong) to study and report on local machinery. Emden deputed W Wood, another engineer who certified that the machinery he inspected in India was even better than its foreign counterparts and were easily up to the standards stipulated by Pepsi. (See Annexure). Despite this Vangal was coaxing his franchisees into purchasing foreign machinery. This he did first by directly incorporating a clause in his letter to his franchisees stipulating import of machinery from H&K. then he thought the better of such a blatant move and changed the clause around to the franchisees requiring Pepsi's official approval for the import of machinery. By this he was able to 'convince' his bottlers to purchase machinery from sources he indicated. The import of machinery shows Pepsi franchisees flouting rules with impunity. In October 1989 Voltas and one year later Ruparel's Unikool Bottlers Ltd were granted import licenses under Para 179(1) of the Import Export Rule, on totally false grounds. They had also been granted concessional duty against project imports, whereas the machinery imported do not constitute an integrated plant and much less a project. These illegal imports have cost the country about Rs 2.5 crores in foreign exchange. This imported machinery should be seized, as they have been imported on false representation, over and above which they have been granted concessional rate of duty for these imports.

The machinery were imported as fruit machinery and got import duty concession, when in fact they are being used for making only Pepsi and Seven Up (aerated waters) which are not eligible for concessional duty. Voltas Ltd at Raigarh, Maharashtra have imported Bottle Washer, Carbonator, Premix and Filler/Crowner. This is not an integrated plant/machinery as specified in the imported Policy. This machinery, can not manufacture anything and will need other machinery like Mixing Tanks, Pasteurizer, Homogenizer Refrigeration System, Boiler, water Treatment System etc. The imported machinery is far from an integrated plant and is not a complete. Ruparel's plant at Sahibabad has imported (from Mayer Majorini of London) under 179(1) only one machine (a filler/crowner) also claiming that it is an integrated plant to manufacture soft drinks and fruit juice beverages. A filler/ crowner by itself also can not manufacture anything, and is not an integrated plant/machinery as per the import policy and is not a complete project. Import Export procedure 179(1) specifies that one integrated plant and machinery up to the value of Rs 1 crore can be imported by surrendering cost more than Rs. 1 crore, Voltas has broken up on paper these machineries into two, and imported them under two licenses claiming each as an integrated plant and machinery.

These are again FERA violations as FERA state clearly that one may not use foreign exchange for any purpose other than that it was originally obtained for. The foreign exchange obtained by Voltas and Ruparel were for the specified integrated plant which was not completely the case. The FERA directorate have yet to act on this. Also Voltas has



purchased machinery from H&K by entering into an MOU (Memorandum of Understanding) with them to manufacture the same plant in India. Simco, a Voltas subsidiary, has been granted permission from the Government to manufacture similar bottling plants under the understanding that they have the necessary equipment, tools and technology for manufacture, and nothing will be imported. This however is disproved by the MOU which clearly indicates that technology will be imported and paid for in foreign exchange.

This brazen style of functioning characterises Pepsi and its franchisees approach to Indian Government supervision. You make the laws, we'll bend them or failing that we'll break them seems to be the general attitude and modus operandi.

CHAPTER 6

THE DEBACLE: LEGEND TURNS MYTH



In America, Pepsi's key to success lay in its striking innovative advertising. The advertisement were catchy, imagery oriented and hard hitting. As mentioned earlier Pepsi really look off only after the 'Great Challenge' campaign was introduced by Kendall. Prior to the Challenge Pepsi had other successful advertising campaigns such as the Pepsi-Cola Cops. But this was followed by a disastrous campaign centred around 'The Sociables' which had an elitist high society approach thereby alienating the common consumer. Under Kendall, Alan Pottasch Pepsi's advertising Director and BBDO their agency really got to work. The new idea was tap the younger generation. The result was 'Pepsi Generation' campaign. The commercials filmed were vibrant and exciting. The campaign was a runaway success with its imagery and music and Pepsi and became synonymous with the 'new generation'. This campaign was followed by the 'Great Challenge' which showed live taste tests against Coke with Pepsi coming out the winner. It was this campaign that really shook Coke. This with some other factors prompted the launch of New Coke which pushed Pepsi, albeit temporarily, to the no. 1 spot in the US. There were other commercials too which took some tongue-in cheek swipes at Coke. Most noteworthy among them are 'Aliens' and 'Archaeology'. The former has a space ship hovering over two dispensing machines— one Coke and the other Pepsi. After some deliberation the Pepsi machine is beamed up. 'Archaeology' is set in the future with a professor taking his students around a 20 th century archaeological dig. The professor sipping from a can of Pepsi is answering questions from his fascinated students. One of them unearths a green Coke bottle and asks his professor to identify it. The professor takes another sip and shrugs his ignorance. Campaigns like these which had Coke sputtering helplessly took Pepsi higher. The supreme moments were however reached under Roger Enrico who signed on Michael Jackson, Lionel Richie, Tina Turner Madonna and a host of other American superstars in a campaign that combined the two earlier campaigns — 'the Choice of the New Generation'. The word choice reminded people of the challenge and their deliberation over a good buy while 'new generation' had all the attributes and more of the 'Pepsi Generation' ads.

Vangal too sought to recreate this experience in India. After a series of 'Pitches' HTA and Rediffusion were picked to handle the soft drink and snack food campaigns, respectively. With the soft drinks Pepsi was having a lot of trouble with the brand name to be used. The letter of intent expressly forbade them to use Pepsi-cola. So it was decided to settle for a hybrid brand name, the most expedient solution the Government and MNCs have found. Pepsi and HTA after going through over 800 possibilities (which included some gems like Pepsi-piyo). This how ever ran into some trouble, as it was perceived as not Indian enough. Finally, with some copywriting help from the Government itself Pepsi decided on Lehar Pepsi.

Pepsi announced its arrival with a blitzkrieg of hoardings which patronizingly screamed, "the legend is here". The legend being Hostess and Cheetos — potato wafers and cheese-corn based snacks respectively. The soft drinks — their raison d'être — were yet to



come. The legend began to falter right at the start. At this time the Indian market was flooded with a host of brands led by Jagatjit Industries Binnies and its rival Uncle Chipps. Hostess paled in comparison on every count. The packaging was positively shoddy. The Pepsi packaging was actually designed to be air proof but this only succeeded in giving the packet a crumpled look. The design too was unattractive and the yellow and blue colouring gave the packet a cheap look. In contrast were Binnie's appealing white & colour combinations with an ethnic motif. (Incidentally Pepsi tried to put a spoke in Binnie's packaging by claiming that the ethnic motif was lifted from an Aztec or Inca motif Pepsi used on some of its products. The MRTP quickly squashed that one, when Binnies produced the motif as it appeared in Gujarati and Rajasthani traditional handicraft art). Hostess Chips were found broken and the heavy cheese flavouring of Cheetos did not suit the Indian flavours like Pudina Punch, Masala etc. also Hostess and Cheetos were unknown name and therefore were just two more new products in the market. The excitement generated by the Pepsi name in the more western influenced soon turned to bitter disappointment.

Next Vangal tried heavy promotional scheme titled 'Hungama' which had gifts like cycles for lucky Hostess consumer. This was a desperate move and was again questioned by the MRTP. By this time the soft drink line had been launched and Pepsi was considering a linked offer it had tried successfully in overseas markets — a soft drink free with every two or three packets bought. Here too they were beaten to the draw by the Binnies who teamed up with Pepsi's other archrival Parle to introduce the scheme — a Thums Up free with two packets of Binnies. Pepsi next planned a large economy pack but again found themselves foiled, this time by Uncle Chipps who hit the market with their 1 kg pack. The advertising front also they found themselves worsted with their commercials having a negligible impact in comparison with their rivals catchy "Humko Binnies's Mangata" campaign which was a runaway success. On the trade front too they had set-backs. To compensate for the high expenditure in advertising, Pepsi and Voltas as their distributors were forced to take securities from stockists. These stockists having paid out cash as security were loth to give their retailers much credit. They would give one invoice as credit and collect the cash when they went around to deliver the next batch. This gave the retailers just around two weeks to sell stocks. With the products having failed, the retailers saw no reason to transact business this way especially as Binnies and Uncle Chipps were offering excellent credit options.

The products were failing on every front. Vangal first sought to check this by taking away the distribution from Voltas (who incidentally had also lost Amul and Rasna) as they were unable to deliver. Voltas in fact had done well out of the deal with their collection of securities. A change in distribution still did not help the below average Ruffles, the ailing Cheetos and the dying Hostess. A thoroughly frustrated Vangal now turned his ire on Asim Ghosh, Co-Managing Director of snack food. Ghosh was packed back to US HQ. Today a new thrust has been made with the introduction of four new flavours in the Ruffles line (Hostess and Cheetos have been buried) but the legend continues to falter. Vangal, on being asked to furnish an explanation as to why actual sales fell so much below their



projections, came up with the reply that the Indian potato chip market was a “dwarf market”. It is amazing that a multinational like PepsiCo was incapable of judging the true potential of a market they had studied in depth. It is crucial to Pepsi that the snack foods do well as soft drink production can only increase in fixed direct proportion to the snack foods. If the snack foods don’t sell their production can’t be stepped up and if their production can’t be stepped up neither can the soft drinks due to the 25% restriction. But as mentioned in the earlier chapter Pepsi has been flouting this rule with impunity.

But what of the soft drinks? Despite a market presence their performance in real terms has been a real debacle because this is Pepsi primary interest and their real motivation in entering India.

Lehar-Pepsi made its debut with an even more sensational build up. Pepsi ran a series of teasers on national network prime time heralding the 90 second commercial that was to have its first run on Independence day shortly before the country’s most widely watched TV programme *chitrahaar*. The teaser asked the nation if they were ready for the magic? Press releases were issued about the commercial —how Pepsi had got Vinod Pande of blockbuster *Parinda* fame to make it and the whopping Rs 60 lakhs that had been spent on this single film. Finally D-day dawned — the nation was ready for the magic. As the whole nation watched, an Indian adaptation of the Mickael Jackson commercial unfolded. Pop singer Remo Fernandes and actress Juhi Chawala charged on stage singing “are you ready for the magic”. Some uninspiring Kathak steps by Juhi and some frantic and unmusical guitar-work by Remo preceded the latter screaming at a Lehar bottle to open up. This was meant to be reminiscent of his frenzied singing in the monie *Jalwa* but conveyed more an apoplectic fit than anything else. Next followed some high-tech special effects a la *Close Encounters of the Third Kind* while the seated audience sampled the Cola. Than a collective contented sigh — that was not however reflected on the faces of those watching—filled the auditorium. This was high bathos. While the audience were wrestling with mingled thoughts of disgust and disappointment the last commercial came on. It was Thums Up. In a 90 second film equalling the length of the Pepsi film, Thums Up proceeded to steal the thunder from the much touted magic. With a jingle sung in a slow bluesy to highly kinetic images in slow motion the film was an outright winner. The film showed commonplace yet exciting moments— a sprinter winning a race, a student on graduation day a young girl receiving a job confirmation and so on, with each winner indicating his or her elation with the thumbs-up sign. This was followed up with the standard thunderclap bottle opening and the legend “Taste the Thunder”. Where the Pepsi film for all its frenzy was lifeless, the Thums Up film was vibrant and exciting. Where the Pepsi film was garbled and confusing, Thums Up was coherent and moving. And most important, Thums Up had got that last slot just before *Chitrahaar*. The press too did not spare Pepsi. The *Hindustan Times* devoted half a page of their Sunday edition to this story which they aptly titled ‘When the magic fizzled out’. A schoolgirl quoted in the same article summed up the ad succinctly — “Too much gas and not enough fizz”. Pepsi’s lame answer was that the HQ had liked it— a typical instance of everything being done to please the bosses back home.



Parle followed up this success beating Pepsi at every front. They upstaged the potential Challenge ads by a taste test of their own featuring actress Pooja Buatt who picks Tums Up as the best from various colas. This was followed up by digs at Pepsi's milder carbonation and sweeter taste. In two restaurant scenarios, angry customers demand of their waiter if the Cola they had ordered had been left out in the rain or if it were a gulab jamun! Thums Up was immediately positioned ahead of Pepsi as the more fizzy and less insipid drink.

The Lehar 7-Up commercials are the only quality advertisements Pepsi has produced. And these were matched if not upstaged by the Parle clear lime Citra. The recently released Mirinda commercials positively asinine.

Where had Pepsi gone wrong? Why were these sensationally successful American ads failing so miserably? The answer lies in a complete misreading of the market. Pepsi had been trying to cash in on American hype without examining an existing precedent. In 1987 another American soft drink range – Double Cola, had entered the Indian market (Double Cola did not have Pepsi entry problems as the owners of the company Noorally and Alnoor Dhanani were non-resident Indians). Double Cola had positioned itself as an American drink with visuals of American idols like Bruce Springsteen in the ads. Double Cola today is forgotten history. Pepsi had been using the same approach overlooking the fallacy that Remo was not Michael Jackson, nor Juhi Chawla, Madonna. While both the American stars are known to over 95% of American less than 2% of India is familiar with Remo. And though Juhi Chawla has had one hit film, she is no star, with the rest of her few films being box office disasters. The nation's youth was in no way crazy about these two. Pepsi aping its parent company's strategy even went to the absurd extent of their Vice-President of Marketing Ravi Dhariwal mouthing Roger Enrico. Dhariwal says that when the Remo campaign came on his five-year-old daughter jumped up yelling "yah, yah, yah!". This is a direct plagiarism of Enrico's description of his nine-year-old son Aaron's reaction to the Jackson commercial narrated in 'The other guy blinked'. And Pepsi though well known does not have in India the associations that Coke does. Further neither Pepsi's ad line nor its colours were a novelty, Campa Cola having appropriated both with slight modifications. Campa Cola was and still is Pepsi red and blue colours in their 300ml campaign. And one of their advertising slogans was the 'teste of a new generation". They had stolen Pepsi punch line so to speak. Pepsi had in fact approached the late Charanjit Singh of Pure Drinks who produce Campa Cola, for his support or at least non-resistance to the Pepsi project. They gave him the now familiar arguments of competition making the market grow. This writer met Charanjit Singh (shortly before his death) who said that Vangal, Les Ham (Vice-President Asian Operations) and Jack Choo had approached him and even invited him to join them in exports and other business ventures. Charanjit Singh was a shrewd businessman and was not fooled for a minute. He was in fact quite amused at Pepsi's feeble attempt in enlisting his support. Nor was he deceived by Pepsi arguments at bringing down prices. In his words "If indigenous manufactures have to take on the high tech advertisement campaigns of



Multinationals then they will have to generate matching resources. And this is not likely to be done with lower prices”. In fact quite contrary to its claims of better prices, Pepsi with its entry into the market hiked prices up from Rs 3 a bottle to Rs 3.50.

Pepsi was further upstaged by Parle in their most expensive promotional campaign. They signed on cricket star Kapil Dev to endorse Pepsi door to door. The scheme invited people in Delhi to send in their addresses and stock their refrigerators with Lehar-Pepsi or Lehar 7-Up. Kapil dev would personally visit a few house and share their Pepsi seriously, was the fact that Kapil Dev had endorsed Thums Up few years earlier. With the promotion a days underway, Parle re-released footage in the leading dailies that had Kapil Dev holding a Thums Up bottle in one hand and giving the thumbs-up sign with the other. This completely deflated the Pepsi campaign. Livid they threatened to go to court. Kapil Dev actually did saying Parle had violated his contract. The case was thrown out once it was discovered that no time limit was specified on the contract. This was Parle Chief Ramesh Chauhan at his street fighting best. Parle following the court order released the Kapil Dev ads again. This was Pepsi’s biggest fiasco.

In the market too Pepsi have constantly been upstaged. They had thought that they would establish and dominate a new segment— that of the clear-lime with their 7-Up. Here too they were upstaged by Citra which is today more popular because of its greater fizz and more definitive taste. Parle also used Pepsi’s own strategy of more drink for the same price. Thus today a 500 ml bottle of Thums Up is available at a retail price of just Rs 6 as against other 250 ml bottles for Rs 4. Pepsi was now being beaten by its own strategy of undercutting. Another blunder that Vangal made was in not capitalizing on the initial 7-Up success in the south. To his dismay, he found 7-Up actually outselling Pepsi. This was unthinkable. Pepsi was the flagship brand while 7-Up was an acquisition. So he withheld 7-Up,(instead of rolling it nationally) and pushed Pepsi harder but to no avail. By this time Citra had taken away the advantage and was already all over the country.

The management style is dubious in itself. Pepsi, though struggling at the market place was overly comfortable at the work place. To already sky-rocketing costs are Pepsi’s incredible administrative costs. It may be remembered that Vangal spent his entire pre-clearance stay in India operating from the Taj. Even today the cost are disproportionate to the turnover. Executives’ house rents are sometimes over Rs 50,000 per month. Office rent, salaries, entertainment and travel costs are similarly high.

Vangal himself is another reason for the debacle. His functioning while well suited to the lobbying and wheeling-dealing required to clear the project is not conducive to normal, everyday efficient functioning. Vangal is more a hard crisis manager. His proven abilities are in this area. He is a classic example of the Peter Principle. Post clearance, PepsiCo should have chosen a more marketing oriented executive for the top. Vangal personnel recruitment was equally poor. He applied the American head-hunting principle and recruited middle level executives from ITC, Lipton Lever, etc. None of these executives had proven individual skills. Subsisting complacently at a middle level in an MNC is quite a



different matter from actually running and building up a business, especially soft drinks. The faceless IIM-graduate with his grounding in theory and slick ways might fit into the febrile work ethos of a Citibank or a 5 star hotel but he is not geared for the hard streetfights of the soft drink market. He would not really soil his tie at a Paanwala's which however are the most common soft drink outlets. Street smart operation are one good reason for Parle and Pure Drinks success.

Now for a look at the trade front. Parle was ready for changes that would take place in the cola wars due to Charanjit Singh death and the subsequent succession disputes in his family). Parle did not have the advertising budget that Pepsi did. But their operations were more cost effective. (Their 90 second commercial cost them only s 4 lakhs against Pepsi's 60 lakhs). Their flagship brand Limca had been hit, but they had been quick with Citra and had regained more than lost ground. It also allowed its retailers to change any other brand for Citra. No extra cost was to be incurred those holding crates of Thums Up or Limca to initially launch Citra. This helped Citra distribution. Pepsi did not do this with its new product Mirinda. Normal retailers did not see much reason for paying out additional cost to test sell a products whose better known companion brands were not doing overly well either. Parle topped its offer with four free bottles to every crate. Pepsi matched this but only with the contents. So the retaoler got 28 bottles of the liquid for the price of 24 but had to pay bottle price for all 28. Pepsi has already established about 15 bottling plants. The reach of these plants involves higher costs. The ideal servicing distance per plant is a radius of 80-100km and as Pepsi's plants have to service territories spanning 700 kms, their transport costs are naturally higher.

Yet another negative is Pepsi policy of distributorships as against Parle's and pure Drinks direct distribution. Pepsi had sold distribution rights to raise quick money, but this is proving a problem now. Thus on the economic from too Pepsi is in trouble.

Pepsi had hoped that soft drink gains would offset other losses but this again has not been happening. Their market share after such heavy inputs is only 10%. And this after having exceeded illegally the 25% restriction. A show cause notice has been served to them. And if the Government does get its act together and clamp down on them, even Cola might not bail them out. The legend has proved a hollow myth.



CHAPTER 7

PEPSICOLONISATION?

Every fear voiced by Pepsi's critics and dubbed irrational by the advocates of Pepsi has now been proven true. Pepsi was brought in to usher in an agricultural and horticultural revolution. This has not happened. This has not happened. Nor have exports and foreign exchange earnings. Soft drinks have emerged as the company's top priority. The company has cheated and deceived in every possible way. It has even dared to defy governmental authority.

Today Coca-Cola is also looming on the horizon. They have themselves blatantly stated their intention to recapture the soft drink market they evacuated in 1977. foreign investment in itself is not a bad thing. But in non priority areas MNCs have to be kept away as Pepsi and Coke in its EPZ proposal have proved. Coke's EPZ proposal was in itself a clever exercise in deception. Coke had indicated that it would sell 25% of its production in the domestic market. They however chose to gloss over the mechanism that would keep track of what accounts for 25% and what has actually been exported. It could easily keep raising the 75% by exporting to its franchisees, thereby producing enough to meet the Indian soft drink market's demand. It also had promised to form a company exclusively for exports out of the profits it earned from the EPZ unit. It deliberately left vague who would compute the profit. All it has to do at a later state that the unite was not marking any profits to get out of that obligation. Coke also states that its preliminary investigations show that there are limited areas only where exports could be undertaken. These indicated areas show that Coke was merely testing the limits of Governmental policy as well as binding Pepsi to its Food Processing commitment.

Coke in all probability (in today economic scenario) going to enter India. It has already negotiated with Rajan Pillai of Britannia and has submitted a formal proposal which is almost certain to be cleared. Pillai and Coke propose to set up JMRPCO Ltd, an off-shore company incorporated in Hong Kong, with Pillai holding the lion's share of 60 per cent of its equity and Coca-Cola South Asia (Holdings) Inc. picking up the remaining 40 per cent. And its no coincidence that the company has the NRI's very initials for its name. JMRPCO in turn, will team up with Britannia Industries Ltd (BIL) to set up Britco Foods Private Limited which will spearhead the Coke-Pillai foray into India. JMRPCO will hold 66 per cent of Britco's stake, while Britannia will have 24 percent. The balance 10 percent will be with a government agency, very likely the Maharashtra's state industrial corporation. The \$20 million Coke-Pillai proposal aims to relocate a Singapore based 100 per cent export oriented snackfoods plant to Maharashtra and licence bottlers who will process and bottle essences imported form Coca-Cola and market them in India under Coke's global brand-names. Coke has learnt from Pepsi case. It is positioning the proposal as a snack food project without any of the binding conditions that Pepsi had to commit itself to. This positioning is crucial as it more or less means automatic clearance in the new industrial climate under the Narasimha



Rao government. Otherwise it would have had to go through the traditional route of case-by-case clearance as soft drinks remain on the restricted list for MNCs. As it stands the proposal is without any conditionality. The only export commitment of sorts is Pillai's shifting base to India as he exports Rs 26 crores worth of snack food every year from his Singapore units. There are no controls on soft drink production. Thus with one fell swoop Coke has access to the India soft drink market, which with their tremendous brand-name advantage they should have no trouble capturing. Pillai has proposed to export Rs 1002 crores over a ten year period. At the end of the first five year the proposal has projected an export figure of Rs 270 crores. It will be interesting to watch Pillai achieve the Rs 1002 crores in the remaining five years. Even the much touted (to be relocated chips plant in Singapore has annual exports worth a mere Rs 26 crores and this after the units has been in operation 20 years. What he will actually bring in 17.72 crores as hard currency. That's approximately 60% of the Rs 26.85 crores the project will cost. The balance will be investment to be shared by Pillai's Britannia and government agencies. What has been glossed over is the import content. Over ten years, the country will have to fork out Rs 280 crores in foreign exchange for the snack food related imports alone, Rs 151 crores for concentrate imports and dividend outgo is Rs 66 crores. A whopping Rs 497 crores in 10 years averaging about Rs 50 crores a year. And these imports vary from potatoes and nuts to cooking oil to the Coca-cola formula essential areas indeed! Is India going to live by Shaw's dictum that the only thing man learns from history is that he does not learn from history? Will the government with its economic perestroika adopt the policy, once shy twice bitten. All indications are that this will come to pass.

MNCs have been notorious for their destructive roles in developing economies. They make money only to repatriate it. The common dodge of 'transfer pricing' further aids them. They trade imports and exports with either parent companies or its divisions. They overcharge their subsidiaries for imports supplied and underpay them for exports, as Pepsi has done with Crunch Barrel. All the so called progressive developing countries who have opened their doors to MNCs like Pepsi are paying the price. A look at their external debt in any Bank report should prove this.

In India it is argued that since viable alternatives exist, these indigenous companies should be able to stand up to the MNCs. The example of Parle and Pure Drinks versus Pepsi should indeed prove this in the light of Pepsi dismal performance. But this is only partially true. Both Parle and pure Drinks have stood up to and even bested Pepsi in the market place. But neither will be able to match Pepsi's financial muscle. Pepsi in an *India Today* feature (October 1991) has declared that it has run up losses to the tune of 24 crores. This however means nothing to them. Pepsi is in a position to think ahead a quarter of century, and can sustain these losses comfortably for the next few years. Their advertising budgets cannot possibly be matched by Parle or Pure Drinks year after year. Then there is the crucial brand name factor. The Indian soft drink or, for that matter, the snack food industry is in still in a nascent stage when compared to Coke's 104 years and Pepsi's 91 years.



And in a politically 'sensitive' country like India the presence of a CIA affiliate like Pepsi is dangerous to say the least. They are capable of influences outside their business interests as the Chilean precedent shows. An inquiry into the Rajiv Gandhi assassination with the Pepsi-CIA nexus would be perfectly in order. This may seem hysterical and far fetched, but in reality it is not so. Because this is precisely what they did do in Chile. The democratically elected leftist government was to be headed by Salvador Allende who was a serious threat to Pepsi and other American interests. Donald Kendall was a close friend of the then President Richard Nixon. Bob Woodward in his *Secret Wars of the CIA, 1981-87* refers to this. Richard Nixon is quoted ordering R Helms then CIA Director, to stop Allende was at all costs. In the early seventies the Pepsi bottler in Chile was one Augustin Edwards who was also publisher of the propagandist newspaper, *El Mercurio*. After Allende was elected, Edwards flew down to meet Henry Kissinger and Richard Helms at meetings arranged by Kendall, Chairman of 'PepsiCo until May 1991. Kendall is also saying that he arranged "crucial meetings" with Nixon. Kendall, Edwards, Helms and Nixon all were unanimous in their fear that with Allende, American interests were threatened. Kendall and Edwards could have particularized these interests to PepsiCo itself. In 1973, the year after he had come to power, Allende was shot dead, bringing in a long spell of military rule. In the subsequent Senate hearings it emerged that the Pepsi franchise also doubled as a CIA front. Behind the fun loving frothy façade of Pepsi lies the cruel face of American imperialism. When Pepsi says, "Each bottler is like a client government which will survive and prosper as long as he looks after our interests", it shows the extent a company can go to safeguard its interests. Every chilled bottle of Pepsi sends across a chilling message to all those would try to stand in the way of the soft-drink multinational and by extension the United States of America.

This then is Pepsi's political history. Pepsi's CIA links were brought out by the Press and in Parliament when the Project was under consideration. Jagdish Tytler was dismissive of these fears saying, "We are no Banana republic. We can take care of ourselves". CIA intervention and monitoring of Indian politics is a well known fact. The *Sunday Observer* (July 21-27, 1991) stated that an Indian politician and 17 bureaucrats are reported to have accepted money funnelled through the BCCI. A US Senate committee is investigating CIA involvement in these covert transfers.

There are parallels in the Chilean and Indian political climates. Rajiv Gandhi was a certainty to return. He had already taken an anti-American stand in the refuelling episode during the Gulf War. He had been warned by Fidel Castro and the PLO about there being a Conspiracy afoot and of the danger to his life. Rajiv's return was being perceived as a return of stability after two successive governments had fallen. American interests do not coincide with stability in India. Rajiv Gandhi on 21 May 1991 (the day he was assassinated) was interviewed by two reporters, Barbara Chrosette and Neena Gopal. The interview was published in *the Time of India*. In this interview he candidly states that a certain superpower wanted to see instability in India and did not prefer him to return. On being asked which superpower he "smirked" and said "obviously" not Soviet Russia". In an interview published in *Sunday* earlier Rajiv had lashed out at Pepsi saying that this was not



the project he had cleared. The project he had cleared had promised food processing, farmers interests, exports 50,000 jobs, etc. He blamed the VP Singh Government for not clamping down on the company. Thus with his return a serious threat existed to Pepsi. Then there are LTTE- Israel links with the Mossad training the LTTE. The influx of Israeli tourists Kashmir and then moving down south was reported by PLO intelligence. More interesting coincidences occurred in the form of PepsiCo President Sinclair visiting India in May 8th and 9th. (Even when the Project was at its worst phase, he had not come down). Vangal was absent from India from 14th-24th May. What were the reasons behind Adaikalaraj's four trips to Sri Lanka? A high level Pepsi delegation headed by a foreigner working for Pepsi in India, was also visiting Pakistan at the time. Another coincidence may be noted. Unrest in China and Russia began after Pepsi active presence there. All this may sound bizarre and far fetched. By themselves, or in tandem these factors may mean nothing. But, given everything can India afford to be dismissive of these factors? An inquiry even if only to prove just the country should nevertheless be gone into.

A full-scale parliamentary/judicial inquiry is in fact what should be instituted. But anything constructive emerging seems remote. The Government, instead of hauling up Pepsi, seems to be welcoming Coke! Like that classic spaghetti-western, our economic policy seems to be anything "for a few dollars more". Roger Enrico in his book says, "In the cola wars there are no winners". While this may be true of the American battlefields, the Pepsi Project has amply demonstrated that India will end up being the serious loser.



ANNEXURE 1

THE NATIONAL DEBATE

The Pepsi project, rife with controversy as it was, became a raging polemic in both Houses of Parliament and in the Press. Ramesh Vangal on many occasions expressed his ire over the manner in which the media in India had been busy in Pepsi-bashing. The fact of the matter is that no company has indulged in such blatant swindling and violation of Government reportage of the last few years would indicate how the Fourth Estate perceives the presence of Pepsi.

CURRENT, AUGUST 9, 1986

The Pepsi controversy has brought the ruling and the opposition MPs on one platform for the first time in many years. The enfant terrible of Indian politics, George Fernandes, Minister has threatened to destroy the Pepsi plant itself if it were allowed to come up

There was considerable bureaucratic pressure lobbying for the cause. The Pepsi crusade was first spearheaded by the Akali Industry Minister and personal friend of Rajiv Gandhi, Raja Amrinder Singh who had met the Prime Minister more than once for clearing the Pepsi project. Surjit Singh Barnala too wrote a letter drafted by his Finance Minister, Balwant Singh, a big industrialist familiar with the Pepsi bosses in the USA. Barnala in his letter to Rajiv has advocated the Pepsi Tata project on the plea of boosting agro-based industries in his state. He wrote:

“A planned shift from the prevailing wheat-paddy rotation to horticultural crops, oil seeds, sugarcane is a part of the State proposed agricultural development strategy. This proposed crop diversification programme can be stimulated however only by following an integrated approach towards developing large scale agro-processing facilities, marketing and exports. The proposed venture is a step in that direction. It is our view that international collaboration in such a venture will be essential”. One wonders what Barnala and Singh have to say today?

BLUTZ SEPTEMBER 3, 1989: PEPSI-BRIBE TO HIGHER UP

This article reveals the influence exercised by the Americans. It refers to the kick-backs paid to the lobby in India which pushed the project through.

It is not just the known CIA links of President, Donald Kendall but a whole lot of other fundamental issues which seem to have been glossed over as the American soft drink manufacturer Pepsi Cola (PepsiCo) has been allowed to literally bulldoze its way into the



India market..... Even when the Punjab Agro Industries Corpn's proposal has finally been okayed its critics have not given up and ironically most of them are within the ruling party itself. Among other aspects that have been highlighted by the critics is substantial over-invoicing to the tune of 5 crores resorted to by the multi-national presumably meant for 'paying bribes to higher-ups who have influenced the Government's decision.

...As it is, the capital investment needed for the plant been worked out at Rs 50 lakhs but Pepsi has hiked it to 5.5crores leading to obvious misgivings.

...Both wafers and since raw material is easily available at home where was the need to let PepsiCo in the critics ask? The know how is available with the CFTRI, My sore, but that has, for obvious reasons, been overlooked.

...The critics say that once the manufacturing plant been activated there is no way in which Government will be able to force Pepsi to stand by its commitment regarding export of items like food pulp etc. If pressed, the standard ploy of this company is to purchase export licences of normally exported products like tea, coffee, etc. which are available in the market at just 2 to 4% premium. FINANCIAL EXPRESS, May 6, 1989: UNITED STATES COMPANIES IN INDIA SEE NO CAUSE FOR BLACKLISTING

The US companies having business and trade interests with India are against blacklisting the country under the provisions of the Super 301 clause of the United States Omnibus Trade and Competitiveness Act, 1988...

...The Chairman of the United States Section of US-Indo Business Council and Chairman of PepsiCo Inc, Mr Donald Kendall has written a letter to the United States trade representative Ms Carla A Hills to this effect and suggested that she should take efforts of the Indian Industry into consideration before any trade action is taken.

...Mr Kendall representative of the Indian business community, he was encouraged by the fact that a greater appreciation of effective intellectual property law has developed in the Indian private sector and progress is likely in the area before the end of the year.

Who is this "leading representative of the Indian business community"? The identity can be found in the files of the PMO and Foreign Office as he was negotiating with Kendall with their knowledge and on their behalf. Besides gaining clout in these two important offices in India, what else has he gained from Kendall and Pepsi. Or is it the other way around? Finding this gentleman so influential in India did Kendall rope him in India? The articles reveals the subtle threat to the Indian Government that if they do not clear the Pepsi project which has committed to herald a revolutionary era in food processing, agricultural research and exports, then it shall discourage the American industrialists and investors whose help we need in the international market to better our trade situation. If the Government of India takes over two years to clear a project that would tap a virgin market, then clearly Ms Hills has reason to be dissatisfied with us.

THE HINDU, NEW DELHI, NOVEMBER 3, 1988: GOVERNMENT ASKED TO SCRAP DEAL WITH PEPSICO.

Mr Tytler asserted that 60% of the total business of the company was in food business"... "Referring to fears expressed in some quarters that entry of the multinational



into the food processing industry was through some consultants and that it would lead to some kind of destabilisation, Mr Tyler made it clear that no intermediaries or agents or consultants were associated with the project. This reply was aimed to quieten the opposition fears who felt that country had been taken for a ride. Mr Kulkarni, M.P. felt that indigenous technology should be encouraged in this field.

THE HINDUSTAN TIMES, NEW DELHI, NOVEMBER 3, 1988: NO RULES VIOLATED IN PEPSICO VENTURE.

Jagdish Tytler sought to clarify that Pepsi was delivering the promised goods:

We believe that the strength and stability of our democracy and government arises from the intrinsic strength of our democracy and government arises from the intrinsic strength of our system. This cannot be endangered by any multinational whatsoever he added.

THE HINDUSTAN TIMES, OCTOBER 23, 1988: TYTLER DEFENDS PEPSICO DEAL.

Tytler asserts in a Parliamentary Consultative Committee meeting: The PepsiCo project would create employment for 50,000 people nationally including 25,000 extra jobs in agriculture.

THE TIMES OF INDIA, BOMBAY EDITION, SEPTEMBER 27, 1988: PEPSICO PROJECT TO TREBLE PUNJAB FARM INCOME

At a press conference here today the spokesman (PepsiCo) said, the major advantages of this 'most scrutinised' project would be better processing technology greater exports and more income and employment for the farmers. ...With the effect of green revolution petering out, farm incomes in Punjab were stagnating at about Rs 7000 per hectare per year. A shift to fruit and vegetable farming envisaged under the project would yield between Rs 15,000 and Rs 25,000 per hectare. The project would absorb about 25% of Punjab's fruits and vegetable produce.

Would the Pepsi spokesman inform us as to how many farmers have actually benefited from the company? What is the percentage and the volume of fruit and vegetables purchased by Pepsi? What is the extent to which jobs have been generated? A dharna by farmers led by Uppal during VP Singh's tenure complained that the agricultural research scheme had ruined them. According to them, the methods employed by Pepsi to grow to red ones and that the company was unwilling to buy them, despite the fact that the tomatoes were grown according to directions given by Pepsi. They had to sell it in the local market at one fourth the cost of their production.

THE ECONOMIC TIMES, SEPTEMBER 27, 1988: PEPSI COLA BRAND NAME NOT TO BE USED

Pepsi's entry would stir up competition in the soft drink market which meant a better deal for the consumers.In Pakistan, for example even though taxes are higher, retail prices are around 25% lower than in India. ... Mr Tobaccowala said, the project would



induct the state of art technology in food and vegetable processing, manufacture of potatoes and grain based goods as well as agricultural research.... Mr Gokul Patnaik, Managing Director of the Punjab agro said then an integrated lab-to-land factory-to-market approach was needed to help in the diversification of Punjab Agriculture. Wheat and paddy cultivation in the state had reached the stage of diminishing returns. Incomes had stagnated to about Rs 7000 per hectare. A shift to fruit and vegetable farming would yield between Rs 15,000 to Rs 20,000 per hectare. Lack of access to market means the cultivators have no incentive to take up fruit and vegetable farming. Our project will absorb nearly 25% of Punjab's fruits and vegetable produce, he said.

The Janata Dal had made Pepsi an election issue. It is clear that their statements against the entry of Pepsi were shallow and superficial and were made to extract political mileage. In a letter to Mr VP Singh, Mr Fernaades said, "PepsiCo project symbolises the rot that Mr Gandhi's Government is and therefore should be made an important issue of campaign".

THE BUSINESS STANDARD, SEPTEMBER 21, 1988: VP URGED TO LAUNCH STIR AGAINST PEPSI ENTRY

Mr George Fernandes, has urged VP Singh, the convener of the National Front to launch a nation wide campaign against the Government clearance of the Pepsi Project. Mr Farnandes apprehended that the project will render a large number of indigenous sick. Refuting the Govt's c claim that the PepsiCo project will create 50,000 jobs, Mr Fernandes asserted that the project will not generate even Government may not survive long enough.

THE HINDUSTAN TIMES, SEPTMBER 19, 1988: FERNANDES VOWS TO PREVENT PEPSI ENTRY

In a statement, Mr Fernandes who was the Industry Minister in the Janata Government in 1977 and had effected the exit of Coca Cola from this country warned PepsiCo that the new government which would be installed in New Delhi after the next election which would see the defeat of Mr. Gandhi and his corrupt coterie would ask companies like Pepsicola to summarily get out India.... There were enough reasons to believe that a lot of money was involved in the Pepsicola deal. I learnt that a sun of 5 crores has either changed or is about to change hands, Mr Fernandes said.

...He also accused Minister of Food Processing and Industry, Jagdish Tytler and Congress"...

The excerpts above adequately reveal Mr George Fernandes stand towards Pepsi. There is no doubt as to his intentions to see Pepsi out after the way they had double crossed the nation. But, surely one would expect that George Fernandes would at the least demand explanations from Pepsi. The Rajiv Gandhi government came under severe criticism by George Fernandes for having allowed Pepsi to come in. But when the Janata Dal came to power, what did George Fernandes do? Nothing! He was just using Pepsi as a political whip to flog 5th congress Government. The fact is tat during his party's tenure at the Centre, the cost of the project increased from 22 crores to a colossal 75 crores. How did he justify this



increase? Or rather, how and why did the Janata Dal Government accept the hike in the cost as projected by Pepsi? When the capacity of the project remained the same, where was the need for the hike of Rs53 crores. Inflation even cannot account for more than 30% in the hike. That leaves an unexplained cost escalation of over Rs 40 crores. Was this paid as kick backs? If so to whom? This silence is not keeping with his earlier stand.

THE HINDUSTAN TIMES NEW DELHI, JULY 27, 1987: IN THE NAME OF SOCIALISM BY PREM SHANKAR JHA

In every respect, the project is a model foreign collaboration. Three-fifths of the share are to be held by Punjab Agro and only one-fifth by Pepsi.

It is beyond comprehension as to how Prem Shankar Jha arrived at these figures. The share of Punjab Agro and Tatas is 36% and 24% respectively. So, between the two of them, they constitute 3/5th of the share. Jha claims that only 1/5th of the share is held by Pepsi which makes it 20%. What then, has become of the remaining 20% or 1/5th of the Share?

THE TIMES OF INDIA NEW DELHI, AUGUST 7, 1986: PEPSICO PLANS THRUST ON FOOD PROCESSING

Mr Amitabh Pande, Managing Director of Punjab Agro Industries Corporation and Mr AH Tobaccowala, Director of both Voltas and Tatas, addressing a press conference here made it very clear that in their proposed joint venture with PepsiCo of United States neither will they sell soft drinks directly, nor will soft drinks made by independent bottlers from concentrates produced in India will be sold under Pepsi Cola brand name... Two senior Akali leaders, Mr Balwant Singh Ramoowalia and Mr Shaminder Singh who were also present at the press conference, said that the Punjab Government and the ruling Akali Party fully supported the project...

Mr Pande sought to dispel a lot of misinformation and misapprehension which, he said, has been caused by concerted criticism of the project by the present majority market controlling soft drink industry in the country and certain other quarters...

He underlined that the project was an integrated food processing project and the investment in the manufacture of the soft drink concentrates would constitute only 26% of the total outlay. The concentrate would be manufactured in India and only the essential ingredients not available in the country will be imported...

Mr Pande and Mr Tobaccowala, what have you to say today?

THE TIMES OF INDIA, FEBRUARY 13, 1988: PEPSI, IMPERIALIST POISON BY KN SINGH

Pepsi proposal for producing soft drinks and agro goods in Punjab came in for scathing criticism from KN Singh, AICC General Secretary who described the multinational corporation as a front for imperialist forces and which was involved in political murders and destabilisation acts in some countries like Peru and Chile... Taking to newsmen, Mr Singh expressed confidence that the Government would consider the political implications of the proposal before taking a decision...



The point to be considered is whether we need a soft drink at the cost of the country's security.

KN Singh paid a price for speaking out against Pepsi in this fashion. While voicing the apprehensions about Pepsi in the capacity of General Secretary, he was asked to clarify whether he had spoken on behalf of the party. Singh reply was that he was the party. He was relieved of his post as General secretary of AICC.

THE HINDUSTAN TIMES, NEW DELHI FEBRUARY 11, 1988 PEPSI COLA ENTRY CONDEMNED

The Janata Party President, Chandra Shakhra today strongly condemned what he described as the latest attempt of the Government and its friends in business and politics both in India and abroad to allow the entry of Pepsi Cola in India. What is more reprehensible is an attempt to link the Pepsi Cola with Punjab problem, Mr Chandra Shakhra said in a press statement here today... Pepsi Cola project is yet another diabolical attempt to abandon the chosen path of Swadeshi and self reliance, the Janata Party President said.

For a Government which lasted just four months Chandra Shekhar's Cabinet delivered the promised goods. Chandra Shekhar met this writer at Bhondsi and discussed the project. It was during his tenure that Pepsi was served with a show cause notice. Also the orders were passed that no FPO would be granted to a new bottling plant was to manufacture Pepsi Soft drinks. It ordered that no further expansion is to be allowed in soft drink operations. The permission sought by Pepsi to pay 1.66 lacs US Dollars as consultancy fee was also not acceded to by Chandra Shekhar Government. A notice was served to Pepsi for its mechanism in pricing the concentrate to avoid full payment of excise. Pepsi had a reprieve since before any follow-up could be effected the Government was out of power.

Balwant Singh Ramoowalia has written a letter to the Prime Minister condemning the project calling it "blatant cheating that has betrayed Punjab". He called for the personal intervention of Rajiv Gandhi to sort out the matter. He was present in the press conference with Amitabh Pande earlier now felt betrayed by Pepsi.

CURRENT (OCTOBER 1, 1988): SO POP GOES PEPSI BY KULDIP NAYAR

Most of the rumours about the Rajiv Gandhi Government have turned out to be true. After the last visit by Prime Minister to Washington a few months ago, it was whispered in the corridors of power that the PepsiCo project was as good as approved. However even then Vengal Rao, the Industry Minister, went on saying that the project was not under consideration...

...If is difficult to tell whether the Ministry of Food Processing was constituted to take away a project like Pepsi Cola from the Industry Ministry or whether a more pliable Minister was to be found to process the project which may having political repercussions. But under Jagdish Tytler, the project galloped through the different stages. In fact he made it his job to sell the project publicly and privately. He often claimed in the Central Hall of Parliament that India was getting a better deal than the Soviet Union.

Vengal Rao, as the Industry Minister was disinclined to clear the project. He would call for details of the proposal to scrutinise and explain the factors that were not



feasible. His unwillingness to clear the project is reflected in the manner he used to talk to his colleagues in the Central Hall and Parliament.

Another person staunchly against the project's approval was Otima Bordia, Secretary, industry. However, the Minister in the Ministry for Industry, A Arunachalam was in favour of clearing this project as L Adakalaraj was his close friend. The Director and Vice President of Pepsi Cola were taken by Adakalaraj to meet Arunachalam in his office and residence on their visits to India. However, as long as Vengal Rao and Otima Bordia were on the scene, Arunachalam realised the futility of getting the project cleared. So, it was thought prudent by the power to create another Ministry. Food Processing was excluded from the Ministry of Industry and Jagdish Tytler was put as its incharge. The day this Ministry was formed many editorials decried the fact that since the Ministry was formed just to give a green signal to the Pepsi Project, it should have been named Pepsi Clearance Ministry. What other justification could be given to the formation of a separate Ministry hitherto deemed unnecessary. In 1991 with the Congress back in power, the Minister of State with Independent charge. It is learnt that he has protested against being given this ministry as there is nothing in it that requires Ministerial attention.

A look at how the different parties stand on the issue.

THE INDIAN POST, SEPTEMBER 21, 1988: CALL TO SCRAP PEPSI PROJECT

The CPI (M) and CPL today demanded that the Centre immediately rescind the licence granted to PepsiCo and scrap the project...

This sell-out decision allows for the first time the entry of a multi-nation corporation in agro-based industries in India"...CPI (M) maintained and added, "it was a consequence of the process of liberalisation under the new economic policy of the Rajiv Government...

The step will further mortgage the Indian economy to the multi-national corporation. The further opening of the Indian economy for exploitation by international corporations in tune with the recommendations of the World Bank and IMF will impose more burdens on the Indian economy and people.

THE ORGANISER, SEPTEMBER 21, 1986: THE STRANGE CASE OF PEPSICOLA BY JAI DUBASHI

No matter how you look at it, this Pepsi business does not make any sense at all. There is nothing very special about the Cola that Pepsi makes; hundreds of companies in the world make their own Cola, including, of course, Coca Cola which was shunted out by the Janata Government in 1977 because it would not reveal the so called secret formula of its cola — a big hoax. There is also nothing special about the potato chips and tomato ketchup that Pepsi sells for there can be nothing special about these things which have been made in this country and elsewhere for donkey's years. Pepsi says that it will help new companies promote special crops and vegetables. But it is an empty promise. Pepsi has no expertise in this matter for of we go by its annual reports it has no such activity in hand anywhere in the world. Why on earth is then Pepsi coming to India and why is Rajiv Gandhi's Government so keen to take it to its bosom.



The BJP in its 1991 election manifesto mentions Pepsi by name and condemns such a project. Congressmen are not supporting this project now as their own leader, Rajiv Gandhi, in a media interview in 1990 condemned this project as it existed then. Ironically, Pepsi seems to have united our ever warring parties as nothing else has.

Pepsi's shenanigans and its reneging on all promises it had made came under a lot of criticism from political parties like BJP, CPI (M), CPI, Janata Dal & SJP. Even the Congress, which initially cleared the project has today very few supporters for Pepsi.

More than 300 questions have been asked in Parliament concerning Pepsi Project. Here is a sample.

August 29, 1991

Shri Dipen Ghosh: "I want to know, first of all, what the actual explanation given or the interpretation given was for the term "turnover" in the letter of intent. Was there any ambiguity in it which the company took advantage of? If not, why did the Ministry prefer referring it to the Ministry of Law for interpretation? This is the first part of my first supplementary."

Shri Dipen Ghosh: "Sir, Mr Jagdish Tytler, his predecessor, had given an assurance to the House in 1989 that the Company would not be allowed to produce soft drink concentrate and that they would be allowed to produce of produce of processed foods. Our apprehension was that the Company was going to enter the domestic market in the production of soft drinks. In reply to an Unstarred Question on July 20, 1989, Mr Tytler had given an assurance that the firm would not be allowed to start production of soft drink concentrate unless they started production of other items contained in the letter of intent. But now the Government comes out with the information that the Company is producing more than 25 per cent of the turnover. My question is why, in view of this commitment given by the Government on the floor of this House, the Government did not take any action to prevent M/s Pepsi Foods from producing soft drinks concentrate to the extent of more than 25 percent of their turnover and what prevents the Government even now from taking action to ask the Company to stop the production of soft drinks concentrate and keep it below the level of 25 percent. Sir, my question has not been answered. The Government had committed on the floor of this House that they would not allow M/s Pepsi Foods to production of other commodities which they are supposed to produce according to the letter of intent. What happened to that commitment? What prevents them from taking action against M/s Pepsi Foods what is stopping the Government from preventing M/s Pepsi Food from producing more than 25 percent? Is there any monitoring cell to see that the commitment made is honoured?"

Shri Giridhar Gomango: We do not have a monitoring cell. They have to submit monthly returns for which they have said that they will not supply any monthly returns.



Shri Harvendra Singh Hanspal: I found that this company is exporting marine products, which has nothing to do with Punjab. I see that the company in collaboration with the Government is cheating the people of Punjab. I would like the Minister to assure us that till such time they complete their commitments they will restrict the production of soft drinks.”

Mr Chairman: “His question is that it was stated that the people of Punjab will be benefited and he says that the people of Punjab are not benefited. Will you see that this is done, otherwise you will not permit them? His question is very simple. He wants to know whether they have put any factories for processing potatoes, fruits and vegetables in Punjab.”

Shri Harvendra Singh Hanspal: “The condition was that first they will process fruits and vegetables and then they will produce soft drink concentrate. That was the condition of the Letter of Intent.

Mr. Chairman: But they have not put in the processing plants?”

Shri Harvendra Singh Hanspal. “No”.

Mr Chairman: “You have found the sense of the House that you will take drastic action, quick action, to see that they fulfil it or they quit.”

Shri Dipen Ghosh: Either they must fulfil their commitments or they should get out of India. They must get out of India.”

Shri Giridhar Gomango: “Sir, when the team visited, the company furnished to the team the old price of Rs 1200 per unit which comes to Rs 1200 per unit which comes to Rs 1/- per case approximately. Now they furnished the price of Rs 8058/- per unit which comes to Rs 4.73 per case. This the reply given by the Pepsi to the team. Sir, we have already issued a show cause notice on April 19, 1991 on the basis of the information furnished by the company... to explain the difference between the information furnished by the company and the assessment made by the Department”.

Mr Chairman: “He wants to know whether you are going to make them do the rest of job of Potato processing and other things?”

Shri Giridhar Gomango: “They will have to fulfil the obligation they have given to us. Shri S Jaipal Reddy: “Mr Chairman, Sir, Pepsi offers an archetypal example of functioning of multinationals in India. When this particular firm was allowed entry in the country, it was discussed in both House of Parliament and at that time, we said that these condition were only the thin end wedge, that they would be honoured more in the breach than in observance”.



Mr Chairman: “What you have said is proving prophetic.” Shri Jaipal Reddy: “In his reply, the Minister has admitted that the price submitted by the committed by the company to the three man committee was less than the price furnished by them to the Excise Department.

The difference is 100 per unit. This explains and illustrates the magnitude of the deception and fraud the company is playing on the country. Shri Yashwant Shnha: “Sir, Pepsi is a high profile case. The newspaper said that it put a lot of fizz in its process, but it has also put a lot fudge in its figures. As my friend Jaipal Reddy said question that I am asking is this — the Prime Minister is also sitting here. The question is, in view of the violations which are proved., where no further evidence is needed of the break of violations by this particular firm is the Government going to give them marching orders or not? This is my specific question and I want a specific answer. If the Minister can’t answer, let the Prime Minister answer.”

Dr Yelamanchili Sivaji” “Sir, the popular feeling in this country is that the Ministry of Food Processing has been created up to clear the Pepsi project. Sure the project has been cleared and granted, is there any proposal to wind up the Food Processing Ministry lock, sack and barrel.”

May 2, 1990

Shri Kamal Moraka: “Madam, I rise to draw the attention of the Government, through you and the House, to a very serious matter regarding the financial implication of the Pepsi Project. The project originally presented was to cost Rs22 crores. Even that was exorbitant compared to other project in India. Now the project cost is 75 crores of rupees. No cost escalation, no information, nothing can justify this. And now the Company, the project authorities have come with a rejoinder that the escalation is not Rs 22 to Rs75 crores, but it is from Rs 22 crores to Rs 50 crores. They are telling lines because the application that they have made to the institutions is Rs 75 crores.

Dipen Ghosh... “I would urge upon the present Government to look into the matter, not to allow the PepsiCo to flout the commitments which it had made to the Government and instead they should see that this PepsiCo project is not allowed to operate here because this particular multinational is an undesirable company. Do you know, Madam, who played have in Latin America particular in Chile? It was the President of this PepsiCo at that time in that particular area.”

March 27, 1990

Shri Khemchand Lahai Somabhi Chavda...” Madam, I rise to draw the attention of the Government, through you and the House, to a very serious matter regarding the financial implication of the Pepsi project. The project originally presented was to cost Rs 22 crores. Even that was exorbitant compared to other projects in India. Now the project cost is 75 crores of rupees. No cost escalation, no inflation, nothing can justify this. And now the



Company, the project authorities have come with a rejoinder that the escalation is not Rs 22 to Rs 75 crores, but it is from Rs 22 crores to Rs 50 crores. They are telling lies because the application that they have made to the institutions is of Rs75 crores.

Dipen Ghosh.... “I would urge upon the present Government to look into the matter, not to allow the PepsiCo to flout the commitments which it had made to the Government and instead they should see that this PepsiCo project is not allowed to operate here because this particular multinational is an undesirable company. Do you know, Madam, who played havoc in Latin America particularly in Chile? It was the President of this PepsiCo at that time in that particular area”.

March 27, 1990

Shri Khemchand Lahai Somabhai Chavda...” Pepsi is a multinational corporation of America. They have violated the condition as in the project proposal. There was a condition that it would given employment to 50,000 labourers. Now 400 people are employed. They say that fruits will be processed. But they are not processed. They are taking corn outside Punjab. It is cheating. They have violated the conditions.

March 23, 1990

Shri Sudarshan Ray Chaudhary : “So Punjab has been betrayed. Not only Punjab, the entire country has been betrayed. All these talks of green revolution, horticulture revolution, healing touch to Punjab are just hog wash. What was the real intention of PepsiCo. To sell soft drinks, to sell potato chips”.



सॉफ्ट ड्रिंक्स के 7 साइड इफेक्ट



फॉस्फोरिक एसिड- दो कैन रोज पीने से पथरी का खतरा।



ज्यादा आर्टिफिशियल स्वीटनर सॉफ्ट ड्रिंक्स की लत पैदा करते हैं।



कारमेल कलर (4-एमआई)- ये कैमिकल कैरेमल का कलर देता है। एक कैन में यह 30 माइक्रोग्राम हो तो यह कैंसर का कारण भी है। जबकि ये 140 माइक्रोग्राम तक पाया गया है।



फूड ड्राइज- दिमाग पर असर करते हैं। फोकस करने में कठिनाई होती है।



हाई फ्रुक्टोज कॉर्न सीरप- ये कंसंट्रेटेड शुगर है। एक कैन में आठ चम्मच होती है। इससे बॉडी फैट, कॉलेस्ट्रॉल तो बढ़ता ही है। टाइप-2 डायबिटीज भी हो सकती है।



फॉर्मिलिडहाइड- सोडा में एस्पार्टेम होता है। जिसके डाइजेशन से मिथेनॉल बनता है। जो फॉर्मिक एसिड और फार्मिलिडहाइड (कैंसर कारक) में टूटता है।



पोटेशियम बेंजोएट- प्रिजर्वेटिव, जो शरीर में जाकर बैंजीन (कैंसर कारक) बन जाता है। सोडा को धूप में रखा जाए तो भी वह बैंजीन बन जाएगा।

स्रोत- सेंटर फॉर साइंस इन पब्लिक इंटरेस्ट

भास्कर एक्सपर्ट

■ डॉ. सी.एम.गुलाटी,
मेडिकल जर्नल मंथली इंडेक्स ऑफ
मेडिकल स्पेशियलिटीज के संपादक

■ डॉ. परवेज अहमद,
मैक्स हेल्थकेयर के मुख्य
कार्यकारी अधिकारी

**पढ़िये
पेज 06 पर**



पेप्सी

हत्याओं और धोखाधड़ी का दूसरा नाम

एशिया और यूरोप को रौंद डालने के बावजूद मंगोलिया का चंगेज खाँ आज के जमाने के हिसाब से जिस विश्व विजय का सपना तलवार के बल पर पूरा नहीं कर पाया उसे पूरा कर दिखाया है अमरीका की कम्पनी पेप्सी ने, और वह भी तलवार की नोंक से नहीं, ठंडे पेय की बोतलों से। इस महाभियान में पेप्सी का एक प्रतिस्पर्धी जोड़ीदार भी है अमरीका की ही कम्पनी कोक। इस समय दुनिया के 190 देशों में पेप्सी के पेय पेप्सीकोला का वितरण होता है। यों तो यह कम्पनी खाद्य प्रसंस्करण (फूड प्रौसेसिंग) में भी काम करती है, पर इसका मुख्य कारोबार ठंडे पेय का ही है।

विश्व विजय के आखिरी मुकाम तक पहुँचने के लिए पेप्सी ने ऐसा कोई तरीका नहीं जो अपनाया न हो। प्यास मनुष्य की सहज प्राकृतिक जरूरत है। इसके सहारे अपना व्यापारिक साम्राज्य खड़ा करने की पेप्सी की प्यास बढ़ती ही जा रही है। आम लोगों के सम्मोहन के लिए इसने क्या-क्या नहीं किया है : अन्तरराष्ट्रीय खेलों का प्रायोजन, नामी फिल्मी हस्तियों, खिलाड़ियों और गायकों द्वारा प्रचार, टी.वी. पर विज्ञापन और सीरियल। परन्तु नाच, गाना, और खेल ही पेप्सी के हथियार नहीं हैं, इसका इतिहास हत्याओं, धोखाधड़ी, छल-फरेबी, जालसाजी जैसे अपराधों से भी भरा पड़ा है।

अमरीका में गृहयुद्ध के बाद 1860 और 1870 के दशकों में खासतौर से दक्षिण प्रदेशों के अमरीकी टूट गये थे। मानसिक रोग, चिड़चिड़ापन, हिस्टीरिया, अपराधबोध, सिरदर्द, शराबखोरी और नपुंसकता जैसी बीमारियाँ अमरीकी समाज में फैल रही थीं। कुछ नीम हकीमों ने इसका फायदा उठाया। उत्तरी कारोलिना के कैलब ब्रैडम नामक फार्मासिस्ट ने डिस्पैप्सि को ठीक करने के लिए 1898 में पेप्सीकोला बनाना शुरू किया। 1905 में ब्रैडम ने पहला बॉटलिंग प्लांट लगाकर इसे उद्योग की तरह चलाना शुरू किया। पहले और दूसरे महायुद्ध में चीनी के दाम बहुत बढ़ जाने से इस कम्पनी का दिवाला निकल गया, पर इस कम्पनी ने विज्ञापन के सारे हथकण्डे अपनाकर अपने को फिर से खड़ा कर लिया और 1959 के आते-आते कम्पनी का मुनाफा सात सौ प्रतिशत पहुँच गया। 1963 में इस कम्पनी के निदेशक जोनाथन कैटिल बने। कैटिल ने मास्को



में अमरीकी राष्ट्रीय प्रदर्शनी में सोवियत संघ के प्रधानमंत्री ख्रुश्चेव को पेप्सी की बोतल पिलाई और बोतल के साथ उनका फोटो खींच लिया और इसको प्रचार में कैंडिल ने खूब भुनाया। इस कम्पनी ने प्रतिद्वन्द्वी कम्पनी कोक के साथ कोला पेय को पाँच सौ साल पुराने अमरीकी राष्ट्र की देशभक्ति से अपने को जोड़ा और अमरीकी विकास तथा संस्कृति के प्रतीक के रूप में अपने को उजागर किया और खूब लाभ उठाया और अमरीकी प्रभाव को दुनिया में फैलाने में मदद भी की है। दरअसल पेप्सीकोला और कोकाकोला को आधुनिकता के प्रतीक बनाने में इन कम्पनियों ने भारी धनराशि खर्च की और अकूत धनराशि कमाई। दुनिया के नब्बे प्रतिशत से अधिक ठण्डे पेय पर कब्जा करके अमरीकी उपनिवेशवाद को कायम करने में इन कम्पनियों की अहम् भूमिका रही है।

कहानी भारत में प्रवेश की

पेप्सी और कोक हिन्दुस्तान में चौथे दशक में एक साथ ही आये थे लेकिन पाँचवे दशक के मध्य में कोक के सामने न टिक पाने के कारण पेप्सी ने अपना कारोबार भारत में बंद कर दिया। कोकाकोला को जनता पार्टी सरकार ने 1977 में देश निकाला कर दिया था। पर ये कम्पनियाँ हार मानने वाली नहीं थीं। 1985 में पेप्सी ने फिर से भारत में घुसने की कोशिश की। शायद ही किसी परियोजना में इतना विवाद उठा हो जितना पेप्सी के प्रवेश को लेकर। भारत के लोगों को पेप्सी के कारनामों की खास तौर से अपराधिक कारनामों की जानकारी मिल चुकी थी। पेप्सी कम्पनी के सम्बन्ध अमरीका की खुफीया एजेन्सी सीआईए से रहे हैं। चिली में सत्तर के दशक में वामपंथी विचारधारा वाले डॉ. सल्वादोर अलन्दे अमरीका की सारी विरोधी कोशिशों के बावजूद राष्ट्रपति बने। वे अमरीकी बहुराष्ट्रीय कम्पनियों से देश की तबाही को अच्छी तरह जानते थे और उन्होंने पेप्सी सहित अमरीकी कम्पनियों को देश से बाहर निकालने का फैसला लिया। इस समय अमरीका के राष्ट्रपति निक्सन थे और पेप्सी के कैंडिल राष्ट्रपति निक्सन के नजदीकी दोस्त थे। कैंडिल ने राष्ट्रपति निक्सन के माध्यम से डॉ. अलेन्दे को सबक सिखाने का फैसला किया। निक्सन ने सीआईए के निदेशक हेल्मेज को आदेश दिया कि वे अलेन्दे को हटाने की कोशिश करें। डॉ. अलेन्दे को इसकी भनक लगी और सन् 72 के अंत में संयुक्त राष्ट्रों के सामने अपने को बचाने की गुहार लगाई। पर सन् 73 के शुरू में ही अलेन्दे को गोली मार दी गई।

पेप्सी की निगाह भारत पर लगी थी। पेप्सी के अध्यक्ष और मुख्य कार्यकारी अधिकारी रोजेरे एनरिको ने भारत को 'पचासी करोड़ आत्माओं का



अमरीका में 346 बोतलें, यूरोप में 180 बोतलें, थाईलैंड में 86 बोतलें, पाकिस्तान में 13 बोतलें और बांग्लादेश में 26 बोतलें था जबकि यह औसत भारत में केवल 2.8 बोतलें था। एनरिको को भारत में विशाल संभावनाएँ दिख रही थीं। केवल पेय बनाने बेचने के लिए पेप्सी को अनुमति नहीं मिलने वाली थी इसलिए उसने खाद्य प्रसंस्करण और कृषि का मुखौटा लगाकर भारत में प्रवेश करने की रणनीति बनाई। उसने भारत की एक कम्पनी एग्रो प्रोडक्ट्स एक्सपोर्ट्स इण्डिया प्रा.लि. के साथ संयुक्त उद्यम बनाकर 25 अप्रैल 1985 को औद्योगिक विकास मंत्रालय के सचिव को प्रवेश के लिए औपचारिक प्रार्थनापत्र दिया। अपने आवेदन में उसने बताया कि उसका कारोबार लगने से भारत की कृषि क्षेत्र में ताकत बढ़ेगी, उसके उत्पादन के लिए यदि एक भाग आयात होगा तो तीन भाग निर्यात होगा। पेप्सी भारत को खाद्य प्रसंस्करण, पैकेजिंग और ठण्डे पेय बनाने की तकनीक देगा और इसके लिए विदेशी मुद्रा बाहर नहीं जाएगी। इस परियोजना से संबंधित अन्य व्यवसायों को भी प्रोत्साहन मिलेगा। औद्योगिक और कृषि क्षेत्र में रोजगार के अवसर बनेंगे और उपभोक्ता बाजार के विस्तार होने से सरकार की आमदनी में काफी वृद्धि होगी। पेप्सी ने एक अप्रवासी भारतीय रमेश बंगल का भी उपयोग किया। उसकी मदद से पेप्सी कोला ने टाटा के उद्यम वोल्टाज और पंजाब एग्रो इण्डस्ट्रियल कारपोरेशन के साथ भी सहयोग बना लिया। पेप्सी के प्रस्ताव का सरकार में शुरू से ही विरोध हुआ। सन् 86-87 में सम्बन्धित मंत्रालयों के सचिवों की रिपोर्ट आई कि पेप्सीकोला के आने से भारत के घरेलू उद्योग को भारी नुकसान होगा और देश को इससे कोई लाभ नहीं होगा। फिर भी पेप्सी की 22.5 करोड़ रुपयों की परियोजना मंत्रिपरिषद की मंजूरी के लिए भेजी गई। तत्कालीन प्रधानमंत्री राजीव गाँधी ने सितम्बर 1988 में उसे मंत्रियों के एक समूह को विचार के लिए भेज दिया। इस ग्रुप का नेतृत्व उस समय के वित्तमंत्री नारायण दत्त तिवारी को सौंपा गया पर उन्हें हटाकर पेप्सी समर्थक मंत्री बूटा सिंह को समूह का नेता नियुक्त किया गया।

इस बीच प्रेस के माध्यम से इस परियोजना के खिलाफ अनेक वक्तव्य निकले जिनमें यह तर्क दिया गया कि भारत को अपने पेय का उद्योग बढ़ाने के लिए किसी विदेशी तकनीक या कम्पनी की जरूरत नहीं। खासतौर से सीआईए से सम्बन्ध रखने वाली, पेप्सी को भारत में हरगिज न घुसने देना चाहिए। पेप्सी कम्पनी ने जो भी वचन प्रस्ताव में दिये हैं वे गलत हैं। अगर पेप्सी भारत में आना चाहती है तो वह खाद्य और कृषि में आये न कि ठंडे पेय में। प्रधानमंत्री राजीव गाँधी को अगस्त निम्नगार्ड मेटिंग ने भी लंबा पत्र लिखकर कहा कि आप के



द्वारा पेप्सीकोला का समर्थन बड़ी भारी भूल है। पेप्सी कोला के समर्थन से कांग्रेस की छवि धनी समर्थक और गरीब विरोधी मानी जाएगी। कृपया यह न भूलिए कि पेप्सीकोला दानव है, वह किसी सरकार की परवाह नहीं करता। यदि आप इसे रोकेंगे तो वह आप के ऊपर हमला करेगा। कौन जानता था कि चिमन भाई मेहता के यह शब्द अक्षरशः सत्य सिद्ध होंगे।?

मीडिया में भारी विरोध के साथ-साथ राजनैतिक दलों में भी पेप्सी के विरोधी खड़े हो गए। लोकसभा में भी पेप्सी के मामले को लेकर गरमागरम बहस हुई। पेप्सी ने इस विरोध का सामना करने के लिए दोहरी चाल चली। एक ओर तो पंजाब एग्रो के निदेशक अमिताभ पाण्डे और केंद्र में सचिव प्रेम शंकर झा को अपनी ओर मिला लिया। दूसरी तरफ हरकिशन शास्त्री की मदद से सांसदों को भी अपनी ओर तोड़ने की कोशिश की। प्रेम शंकर झा ने खाद्य प्रसंस्करण क्षेत्र को बढ़ावा देने के लिए पेप्सी के महत्वपूर्ण योगदान की वकालत करते हुए टाइम्स आफ इण्डिया में पेप्सी समर्थक लेख प्रकाशित किया था जिसके जवाब में इन्द्र कुमार गुजराल ने, जो पहले कांग्रेस में थे और बाद में जनता दल में शामिल हो गए, इसी अखबार में एक पत्र लिखा जिसमें उन्होंने कहा कि खाद्य प्रसंस्करण क्षेत्र को बढ़ावा देना चाहिए पर इसके लिए बहुराष्ट्रीय दानव पेप्सी की कतई जरूरत नहीं है। छोटे-छोटे देशों ने भी यह तकनीक विकसित कर ली है। इस कम्पनी ने दक्षिण अमरीका के देशों में विध्वंसक राजनैतिक और आर्थिक नतीजे पैदा किए हैं। पेप्सी का एकाधिकार हो जाने से किसान खत्म हो जाएंगे।

पेप्सी ने पंजाब एग्रो के अमिताभ पाण्डे और उनके उत्तराधिकारी गोकुल पटनायक की मदद से गाँव-गाँव से पेप्सी के समर्थन में बीस हजार हस्ताक्षर इकट्ठे किए। अपने समर्थन में पंजाब की किसान लॉबी खड़ी की जिसके लिए महेन्द्र सिंह टिकैत और कांशीराम का भी समर्थन माँगा गया। पंजाब में बढ़ते आतंकवाद का इस्तेमाल करके पंजाब के तत्कालीन मुख्यमंत्री सुरजीत सिंह बरनाला द्वारा बार-बार पत्र लिखाए गए जिनमें कहा गया कि पेप्सी के आने से पंजाब में पचास हजार रोजगार पैदा होंगे जिससे आतंकवाद पर काबू पाया जा सकेगा। मुख्यमंत्री के गोपनीय पत्रों को प्रेस में लीक कराया गया। इसी के साथ अमरीका का दबाव भी सरकार पर बढ़ाया गया। अमरीका के तत्कालीन उपराष्ट्रपति जार्ज बुश और व्यापार प्रतिनिधि कारला हिल्स ने भारत सरकार को बार-बार धमकियाँ दी कि यदि पेप्सी के प्रवेश में अड़ेंगे तो हमारे जापाने जो भारत में विदेशी पैसा न आ सकेगी। अमरीका के काले कानून



सुपर 301 की धमकियाँ दी गई।

लेकिन पेप्सी ने आखिरी तुरूप का पत्ता हरिकिशन शास्त्री, सांसद और कांग्रेस पार्टी के महामंत्री के माध्यम से फेंकना चाहा। हरिकिशन शास्त्री के माध्यम से अपने समर्थन में पेप्सी ने सांसदों के हस्ताक्षर से सरकार पर दबाव बनाने की चाल चली। शास्त्री ने समर्थन देने के लिए पेप्सी अधिकारियों से सारे अन्दरूनी कागजात माँग लिए। पेप्सी के रमेश बंगल ने प्रधानमंत्री कार्यालय में अपनी घुसपैठ बना ली थी इसलिए सारी अंदरूनी खबरें व कागजात मिल जाते थे। इन कागजातों को पढ़कर हरिकिशन शास्त्री का दिमाग बदल गया और उन्होंने यह कहते हुए कि पेप्सी को अनुमति देना राष्ट्रीय गद्दारी होगी, पेप्सी के विरोध में बावन सांसदों के हस्ताक्षर करा लिए। इस संकट से उबरने के लिए बंगल ने नई चाल चली, उसने दक्षिण के सांसदों से समर्थन में हस्ताक्षर प्राप्त करने की योजना बनाई। दक्षिण के एक सांसद डॉ. राजेश्वरन की मदद से त्रिची के कांग्रेस सांसद और अरक सम्राट अदैकालराज से सम्पर्क साधा। अदैकालराज ने पेप्सी के सहयोगी वोल्टाज से लिखित रूप में यह वायदा ले लिया कि समर्थन के बदले में पेप्सी का दक्षिण का बॉटलिंग प्लांट उसके नाम से होगा। अदैकालराज ने छप्पन सांसदों से पेप्सी के समर्थन में वक्तव्य तैयार करा दिया। मजे की बात यह है कि इन छप्पन सांसदों में से आठ वे थे जिन्होंने पेप्सी विरोधी वक्तव्य पर हस्ताक्षर किए थे। 15 अगस्त 1986 को आजाद देश के गद्दार सांसदों ने विरोधी ताकत को भारत में आने के लिए रास्ता खोलने की तैयारी कर दी।

प्रधानमंत्री राजीव गांधी के ऊपर एक तो पंजाब का दबाव दूसरे सांसदों का दबाव पड़ रहा था तीसरे अमरीका का दबाव। अपने कार्यालय के प्रधान सचिव गोपी अरोड़ा के घोर विरोध के बावजूद राजीव गाँधी ने 19 सितम्बर 88 को पेप्सी को अनुमति दे दी।

सभी वायदे झूठे

पेप्सी को कारोबार करने की इजाजत देते समय सरकार के साथ जो अनुबंध हुआ उसकी प्रमुख शर्तें निम्नलिखित थीं —

1. इस परियोजना से पचास हजार लोगों को रोजगार मिलेगा जिससे पचीस हजार अतिरिक्त रोजगार पंजाब में पैदा होंगे।
2. पंजाब की कुल फल और सब्जियों की फसल का पचीस प्रतिशत इस योजना में प्रसंस्करित होगा।
3. गलत कम्पनी खाता प्रसंस्करण में उच्च तकनीक लाएगी और भारतीय



- उत्पादों के निर्यात में मदद करेगी।
4. कम्पनी की कुल पूँजी का चौहत्तर प्रतिशत खाद्य और कृषि प्रसंस्करण में और केवल पचीस प्रतिशत ठंडे पेय में लगेगा।
 5. उत्पाद का पचास प्रतिशत निर्यात किया जायेगा। यह अनुबंध दस वर्ष लागू रहेगा। ठंडे पेय का सांद्र बाहर से आयात नहीं होगा, उसे भारत में ही तैयार किया जाएगा।
 6. इस परियोजना पर एक डालर भारत द्वारा खर्च करने पर कम्पनी निर्यात से पाँच डॉलर कमा कर देगी।
 7. विदेशी ब्राण्ड नाम नहीं इस्तेमाल किए जाएंगे।

पेप्सी ने पिछले दस सालों में हर तरीके से सरकार को धता बताई है। सारे नियम कानूनों को तोड़ा है और ऊपर लिखे वायदों में से एक भी पूरा नहीं किया है। निर्यात की शर्त की खाना पूरी करने के लिए पेप्सी ने खुले बाजार से चावल और चाय खरीद कर अपना उत्पाद बताते हुए उसका निर्यात किया और सरकार को बता दिया कि निर्यात की शर्त पूरी हुई। खाद्य प्रसंस्करण मंत्रालय के सचिव आर के रथ ने वाणिज्य मंत्रालय को पत्र लिखा, 'हमारे ध्यान में यह बात आई है कि पेप्सी तरह-तरह के दावे कर रहा है। यह सभी दावे झूठे हैं। अपने निर्यात वायदों के अंतर्गत पेप्सी ने एक नये पैसे की कीमत का निर्यात नहीं किया और पेप्सी ने ठंडे पेय पर पचीस प्रतिशत पूँजी लगाने की सीमा का उल्लंघन किया।' फलों का रस निकालने के लिए मशीनें आयात करने के नाम पर आयात कर में छूट इस कम्पनी ने ली पर मशीनें फलों का रस निकालने के लिए नहीं बल्कि ठंडा पेय बनाने के लिए मँगाई। पेप्सी परियोजना की शुरुआती लागत कीमत बाईस करोड़ थी जिसमें हेराफेरी करके इसे पचहत्तर करोड़ का बना लिया। कुछ दिनों लहर पेप्सी का नाटक करके अब यह कम्पनी शुद्ध विदेशी नामों से ही अपने उत्पादों को बेच रही है। खाद्य प्रसंस्करण तो इस कम्पनी ने छोड़ ही दिया है और आक्रामक रूप से ठंडे पेय का कारोबार फैला रही है। यह कम्पनी इस समय प्रतिवर्ष चार सौ करोड़ रुपया विज्ञापन पर खर्च कर रही है।

रहस्यमय हत्या

एक बार भारत में पाँव रखने के बाद पेप्सी ने अपने विरोधियों का या तो मुँह बन्द कर दिया या गला बंद कर दिया। कांग्रेस के महासचिव के.एन.सिंह का एक वक्तव्य 13 फरवरी 1988 को टाइम्स आफ इण्डिया में छपा था जिसका



ताकतों का मोर्चा है जो पेरू और चिली जैसे देशों में राजनैतिक हत्याएं और अस्थिरता पैदा करने में शामिल रहे हैं। उन्होंने पूछा—क्या देश की सुरक्षा की कीमत पर हमें ठंडे पेय की जरूरत है। के. एन. सिंह को अपने महासचिव पद से हाथ धोना पड़ा। 21 सितम्बर 1988 को बिजनेस स्टैंडर्ड में छपे एक वक्तव्य में जार्ज ने राष्ट्रीय मोर्चा के संयोजक विश्वनाथ प्रताप सिंह से आग्रह किया था कि वे पेप्सी को सरकार द्वारा दी गई इजाजत के खिलाफ राष्ट्रव्यापी संघर्ष चलायें। आज सरकार में महत्वपूर्ण मंत्री होते हुए भी जार्ज फर्नांडीज का ही मुँह सिल गया है।

लेकिन सबसे बड़ी कीमत चुकानी पड़ी उस व्यक्ति को जिसकी कलम से पेप्सी हिन्दुस्तान में घुसा था। 1989 के चुनाव में हार जाने के बाद पेप्सी कोला के बारे में राजीव गाँधी के विचारों में बदलाव आया। सण्डे पत्रिका को दिए गए साक्षात्कार में राजीव गाँधी ने यह स्वीकार किया कि यह परियोजना अब ठीक से नहीं चल रही है। खाड़ी युद्ध के समय राजीव गाँधी ने अमरीकी बम वर्षकों का भारतीय हवाई अड्डों पर तेल लेने का विरोध किया था। सत्तारूढ़ गैर कांग्रेसी दलों की सरकार में आपसी उठापटक से यह जाहिर हो रहा था कि पेप्सी और अमरीकी विरोधी राजीव गाँधी फिर से सत्ता में आ सकते हैं। फिर यह भी डर था कि सत्ता में राजीव गाँधी के फिर से आ जाने से भारत में राजनैतिक स्थिरता आ सकती थी जो पेप्सी और अमरीकी हितों के अनुकूल नहीं थी। स्वयं राजीव गाँधी ने 21 मई 1991 को, जिस दिन उनकी हत्या हुई थी, दो पत्रकारों—बरबारा क्रोसेट और नीना गोपाल को दिये साक्षात्कार में, जो टाइम्स आफ इण्डिया में प्रकाशित हुआ था, साफ शब्दों में कहा था कि “एक महाशक्ति भारत में अस्थिरता देखना चाहती है और मेरा फिर से सत्ता में आना उसे पसंद नहीं है”। यह पूछने पर कि वह महाशक्ति कौन—सी है, तो राजीव गाँधी ने कहा था “जाहिर है कि वह सोवियत संघ नहीं है”। राजीव गाँधी ने विश्वनाथ प्रताप सिंह सरकार को पेप्सीकोला के ऊपर प्रतिबन्ध न लगाने के लिए दोषी ठहराया था। राजीव गाँधी की हत्या के पहले कुछ घटनाएँ घटीं। लिट्टे और इजरायल में सम्बन्ध बन चुके थे और लिट्टे का प्रशिक्षण इजरायलियों द्वारा होने की चर्चा थी। फिलिस्तीन मुक्ति संगठन के खुफिया विभाग ने सूचना दी थी कि बड़ी संख्या में इजरायली पर्यटक कश्मीर में पहुँचे और फिर वे दक्षिण भारत गये। राजीव गाँधी की हत्या के दो सप्ताह पहले 8—9 मई को पेप्सी कम्पनी का अध्यक्ष सिनक्लेयर भारत आया था। 14 से 24 मई तक भारत की पेप्सी कम्पनी का अध्यक्ष रामेश बंगलूर भारत से जा रहा था।



अद्वैकालराज ने इस बीच श्रीलंका की चार बार यात्राएँ की थी। यह बड़े दुर्भाग्य की बात है कि राजीव गाँधी की हत्याकाण्ड की जाँच करने वाले आयोग ने इस काण्ड में पेप्सी के हाथ की जाँच नहीं की।

देशों में राजनैतिक अस्थिरता तथा उथल पुथल मचाने में पेप्सी काफी नाम कमा चुका है। कहा जाता है कि जैसे ही चीन और सोवियत संघ में पेप्सी का प्रवेश हुआ चीन में भारी उथल-पुथल मची और सोवियत संघ अंततः टूट ही गया। पेप्सी के दो मुँह हैं, उसका एक मुँह 'नई पीढ़ी की नई उमंग' और आजादी दिल की' के रूप में जूही चावला, कपिलदेव, सचिन तेन्दुलकर और दलेर मेंहदी के रूप में और दूसरी छवि सीआईए के वफादार एजेंट के रूप में। लेकिन दूसरी छवि छिपी रहती है।

पेप्सी ने आक्रामक प्रचार करके भारी अपसंस्कृति देश में फैलाई है और देश को सांस्कृतिक रूप से गुलाम बनाने के लिए वह हर संभव तरीका अपना रही है। ठंडे पेय के नाम पर उसने कोकाकोला के साथ भारत के सभी देशज उद्योगों को समाप्त कर दिया। लाखों लोगों की रोजी-रोटी खत्म की लेकिन अभी उसकी प्यास बुझी नहीं है। अब वह पानी का धंधा शुरू कर रही है इसके लिए वह पचहत्तर करोड़ रूपया खर्च करने जा रही है और आश्चर्य नहीं होगा यदि यह राक्षस यह प्रचार करने में सफल हो जाय कि भारत का पानी पीने लायक नहीं है पानी तो पेप्सी का ही पीना चाहिए।

संदर्भ : राजेन्द्र दारा की पुस्तक : द रीयल पेप्सी द रीयल स्टोरी